# FINANCIAL TIMES



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MALAINE

Serbia

Behind the unrest in Belgrade



Telecoms

Technology, Page 12

Can Europe compete?



The interest rate

World Business Newspaper http://www.Ff.com

### Kuwait oil group in line for \$610m **Gulf War payout**

Kuwait Oil Co is in line to receive \$810m in compensation for the cost of quenching some 700 oil well fires started by retreating Iraqi troops as the 1991 Gulf War ended. Western diplomats expect the award - recommended by international arbitrators - to be endorsed today by the UN's compensation commission. Page 18

Bank of England attacked: One of the strongest attacks yet on the way the Bank of England handled the collapse of merchant bank. Barings will be launched tomorrow by an influential committee of British legislators.

Argentaria float makes progress: Argentaria, the bank group 25 per cent owned by the Spanish government, will be ready for complete privatisation in a year, said chairman Francisco González. Its shares gained Pta170 to finish at Pta5,540. Page 19; World stocks, Page

Racing chief faces manslaughter trial: Formula One motor



racing team chief Frank Williams, left, and five other people will go on trial in Italy in February charged with manslaughter over the death of Brazilian driver Avrton Senna. The case will be heard in Imola, where Senna was killed in a crasb as be drove his

Williams car in the 1994 San Marino Grand Prix. The charges bave been strongly denied.

US industrial output jumped by 0.9 per cent last month after a 0.2 per cent drop in October, when many auto plants were hit by parts shortages caused by the General Motors strike.

Role for Yeltsin's daughter: Tatyana Dyachenko, influential daughter of Russian president Boris Yeltsin, is likely to be appointed formally as a Kremlin aide, according to an article in a Moscow daily close to the country's

Norway's oil minister quits: Norway's oil and energy minister Grete Faremo has resigned over a scandal about the intelligence service's surveillance work dating from when she was justice minister. Page 3

Saddam's son 'flown abroad': Iraqi president Saddam Hussein's son Uday is to be rland for treat shot last week, according to the London-based international Arabic newspaper al-Hayat. The paper said relatives of Saddam Hussein'a son-in-law Hussein Kamel, who was killed earlier this year soon after returning from exile,

Speedy calculator: Chip maker Intel has built the world's fastest computer, a prototype capable of performing 1,000bn calculations a second. That is almost three times faster than the previous record-holder, a computer built by Japan's Hitachi. Page 6int

Blow to Japan's opposition: Former Japanese prime minister Tsutomu Hata is leaving the main opposition party to form a rival political group. Mr Hata, a key figure in the New Frontier Party, had fallen out with NFP president Ichiro Ozawa. Page 18

Morgan Grenfell arm to pay out: Morgan Grenfell Asset Management is set to pay about 2200m compensation to some 90,000 investors hit by losses resulting from the mismanagement of three unit trusts. Page 19

Hollinger stake for Brierley: Conrad Black's Hollinger group is to sell its 25 per cent stake in John Fairfax Holdings, the Australian newspaper publisher, to New Zealand-based group Brierley Investments. Page 19

Passing of a perfume king: Jean-Pierre Guerlain, former chairman and chief executive of the French cosmetics and perfume company which bears his name, died at the age of 92.

South African-born writer dies: Sir Laurens van der Post, the South African-born traveller, writer and mentor of England's Prince Charles, has died at his London home, aged 90.

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Wireless systems rewrite the rules

Martin Wolf, Page 16



US economy

TUESDAY DECEMBER 17 1996

# EU warned over policing Emu Bundesbank says stability pact must protect against

By our Foreign and Financial Staff

The European Union must use its new stability pact to min-imise political interference in the policing of economic and monetary union, a senior Bundesbank director said yes-

political interference

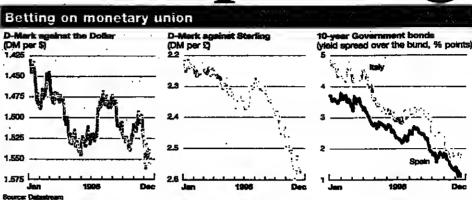
Mr Otmar Issing said the agreement reached in Dublin was s step in the right direc-tion, but needed further refinement to ensure that monetary union was stable and durable. "The hard task ahead will be

to implement the pact in such a way that it will be difficult to make purely political decisions" about countries that run excessive budget deficits. "The debate is not yet over." he said in an interview with the Financial Times.

His comments underline that Germany will continue to press for fiscal rectitude in the euro area and that the debate between Germany and other potential Emu members on securing stability is far from

It was only after marathon negotiations that EU leaders agreed on a system of penalties and trigger points, to restrain members of the future European economic and monetary union from undermining its stability by running deficits above 3 per cent of gross

The D-Mark fell yesterday on news of the pact, because traders believe it is now more likely to merge into the euro, which is expected to be a weaker currency than the D-Mark has been.



differences over policing of Emu, Mr Jean Arthuis, French economics and finance minister, said in an interview in the Tribune newspaper that control, of the euro should be adaptable in the case of "accidents", and it was important that the compromise agreed in Dublin left the Ecofin council

He said he had "not the

In an indication of the likely ation of a council for stability and growth which would act as a political counterweight to the future European central

Mr Issing, a senior member of the Bundesbank's decisionmaking central council, said, however, that such a development would be worrying. although he added he was not opposed in principle to the idea of a stability council in slightest doubt" about the cre- which Emu finance ministers

would discuss matters of joint fiscal interest.

support to the Dublin compromise in which Germany's wish for automatic sanctions was diluted by its EU partners. "Unrestrained automsticity would not have been possible, but one cannot be satisfied with a decision mechanism in which potential sinners pass judgment on actual sinners."

Mr Issing gave only qualified

brand the stability pact simply "a Teutonic demand". The countries that would benefit most would be the smailer members of Emu who stood to suffer most if the larger member countries broke the Maastricbt rules. European markets made

the future independent central

bank, to run mooetary policy

in the euro area, could be over-

burdened in carrying out its

task of maintaining price sta-bility. "The danger that too

much pressure would be put

on the monetary policy of the

European central bank has not

He added that "the impor-

tant message" in the draft pact

was the aim of a balanced bud-

get in Emu member states

over the medium term. "If you

take that seriously, this is a

He said it was a distortion to

been eliminated."

huge step forward."

modest gains on the news.

Preparing for Emu. Page 2: Currencies, Page 25; Bonds, Page 24; Veto threatened, Page 10

# **Boeing feared** defence bid by McDonnell

York and Bernard Gray in

Boeing moved swiftly to buy feared that its US aerospace defence operations of Hughes Electronics, it emerged yesterday.

Street, meanwhile, greeted with enthusiasm Boeing's success in sealing a take-McDonnell's shares were trading's shares were up \$5% at portfolio.

In Europe, there were con-Industrie, Boeing's only remaining rival in the large commercial aircraft business. The merged group will be the for the Hughes business. world's leading aerospace and \$48bn (£29bn). McDonnell is understood to

have been planning to submit a bid for the Hnghes operations by an auction deadtine set for last Friday. General Motors, Hughes's owner, is believed to be seeking between \$8bn and \$10bn for the business.

It was after be beard of McDonnell Douglas because it McDonnell's likely bid 10 days ago that Mr Philip Condit, Boerival was about to bid for the ing's chief executive, is thought to have rushed shead with an attempt to seize con: trol of McDonnell.

Boeing would have viewed McDonnell as a less attractive takeover candidate had it pulover of McDonnell, after two led off a deal with Hughes. failed attempts in two years. Boeing did not want a larger By lunchtime in New York, defence electronics business, but did want to consolidate its ing at \$62%, up \$10%, or 21 per position in military aircraft cent, from Friday's close. Boe- with McDonnell's existing

Mr Condit told Wall Street analysts yesterday that Boeflicting views on the impact of ing, which has been intent on the \$13bn-plus deal for Airbus building up its defence operations to balance its more cyclical commercial aircraft side, will not itself make a bid

In Europe, Airbus, the fourdefence company with proj- nation airliner consortium, ected revenues next year of tried to play down the implica-

Continued on Page 16: Cruising at dizzy heights, Page 17; Editorial comment, Page 17;



What goes up . . . investors in Shanghai watch in amazement as stock prices plummet, after warnings of a meltdown

# Anti-speculation move hits China markets

China's fledgling equities markets crumpled yesterday dropping 10 per cent, the maximum permitted - after the anthorities announced a crackdown on speculation and market manipulation.

Beijing's latest attempts to dampen investor enthusiasm drew protests from brokers and will further shake confidence in China's experiment in building capital markets.

The Shanghai and Shenzher hourses plummeted within moments of the markets open ing after a stern editorial in

the People's Daily, the Com- are bound to lead to stock strict measures would be munist party newspaper, crashes". The authorities fear enforced to stop credit being The paper recalled the Wall

Street crash of 1929 which should be aware "stock rallies speculative bubble. It said

a collapse will cause social

The People's Daily blamed a foresbadowed the Great flood of "bot money" from Depression, and said investors hank loans for this year's

used to fuel speculative share trading. The Shenzhen composite index for A- and B-shares has risen 340 per

Continued on Page 18

# ing results following its

# Scania warns French truck strike could hit earnings

and Halg Simonian in London

Mr Leif Ostling, chief executive of Scania, the Swedish truck and bus group, yesterday warned that last Scania started shipping 500 of month's French truck drivers' its new 4-series trucks to dealstrike could affect fourth quarter earnings. The company also said pro-

duction in Europe in the first quarter of 1997 would be about 15 per cent lower than in the same period this year because of greater market uncertainty. Mr Ostling, speaking during visit to Scania's operations in Brazil, said the strike had badly affected cashflow at

"Transporters are very sensitive to cashflow because they els. Many of them - especially in France - are probably hesitant after the strikes [to place new ordersl" The dispute occurred just as poor quarter after disappoint-

By Hugh Carnegy in Sao Paulo 1997 production figures likely to be 15% lower

> ers. Production had already been delayed at its plant in

> "We had 300 units ready which we couldn't ship or which were being transported and were trapped by the strike. That very much hit our ability to supply France, Spain, Italy and Portugal." Other car and truckmakers

had warned the strike could many European hauliers and affect production but many could affect demand next year. appear to have survived unscathed. Mr Stefan Lorentzson, a spokesman for Scania's typically have low equity lev- arch-rival Volvo, said the strike had not had an effect. Some analyats thought Scania was using the strike to

prepare investors for another

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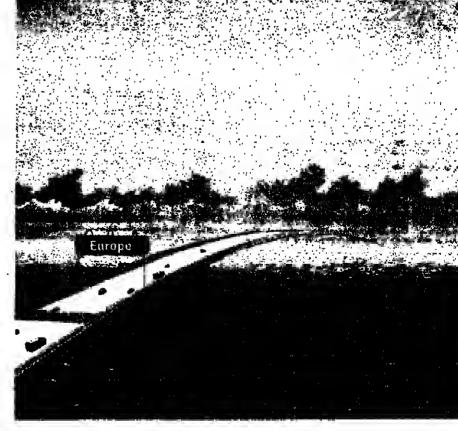
SKr36bn (\$5.29bn) flotation last April. Scania's pre-tax profits fell

from SKr706m in the third quarter of 1995 to just SKr40m in the same period this year, chiefly because of delays in shifting to 4-series production. The warning about the

strike "will lead to further disappointment among investors and, although altogether outside management control, is another reminder of the volatile nature of this industry" said Mr John Lawson, motor industry analyst at Salomon Brothers in London.

Mr Ostling said Scania was pressing ahead with a productivity drive which could mean up to 1,800 job losses from a European workforce of 19,000 over the next three years.

In South America, Scania is in the middle of a \$300m fouryear programme to double annual production to 20,000



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# scheme loses UK link

By Clay Harris in London and Davrell Roberts Tien in Stockholm

A British company closely linked to Fairbank, a currency trading scheme under investigation by Sweden's serious economic crimes soned, bas withdrawn its application for anthorisation by a UK financial regu-

This removes s UK link which had allowed Fairbank to claim a degree of temporary regulatory protection. Fairbank has marketed a high-risk currency speculation scheme to ethnic Chinese private investors in Sweden, many of wbom have complained about

incurring losses. London-based Currency Exchange Services (CES) bad supplied foreign exchange prices by tele-phone to Fairbank, kept its records and acted as its agent, according to Mr Kenneth Yeung. Mr Yeung is director of CES and "alternate director" of Currency Exchange Stockholm, Fairbank's official name.

CES has now withdrawn its application to the UK's Securities and Futures Authority for anthorisation to arrange "rolling spot" trades - rolled-over forward contracts of seven days or less. While its application was being processed, CES was able to continue to operate legally in the UK.

The withdrawal, effective yesterday, means CES has business. Staff in Fairbank's that calls were no longer

being answered in London. Fairbank does not have permission to trade currencies in Sweden, but regulators there have admitted they were unclear whether its local activities required such approval.

A Swedish prosecutor launched an official investigation last week after Fairbank's activity was exposed in the Financial Times and the Swedish newspaper Dagens Nyheter.

In Stockholm, Mr Dannis Cheung, Fairbank's director, was undar pressure to return investors' money. The location of most of Fairbank investors' funds, convergence of economies proxy for all bond servatively estimated at imposed by Emu will drive nated in the euro. more than SKr10m (\$1.5m). is unclear. Fairbank typically moved investors' funds ont of the country within two weeks of deposit.

Mr Cheung, a UK citizen, ran Pagoda, a similar scheme being investigated by the UK's Serious Fraud Office over the alleged misuse of investors' funds.

Prices for electricity determined for the purposes of the electricity pooling and

settlement arrangement in England and Wates

The Pool Prices for the 27 June 1996 to the 05 July 1996 have have re-estudated as the result of the Capuse Final Run of the Sattlement System under the provisions of the Pooling & Battlement Agreement. The resultablished prices for the 4.7.95 are provided below

# Currency UK pushes for equal access to Target



for Emu

countries to have equal access to the Preparing payments system for tha planned

stepped

sels. Mr Howard Davies, the restricting full access to countries

England yesterday in the EU to find risky ways of of the whole exercise, to reduce euro even if Britain did not take firmed that preparations for the up its getting round the restrictions. Germany and France have

European Union argued that Target - which will link wholesale payments systems to allow instant transfers of euros, proposed Target the proposed single currency, throughout the EU - will be linked inextricably to monetary single currency. in policy within the single currency a speech in Brus- area. Countries outside monetary union, therefore, should not have bank's deputy governor, said the same access to it as countries

The Bank of would encourage banks elsewhere "negate one of the main purposes would be ready to embrace the the risk inherent in systems in which banks are exposed to each other for a period of bours".

In its latest report on UK preparations for European monetary of EU countries. union, published yesterday, the bank spelt out the steps being taken in the City of London to ensure that Britain will be ready to handle the euro when it is introduced in 1999. It said progress had been made

to ensure the UK's financial mar-

part in the single currency. But, it said there had been no resolution to the Target debate even though its view was held by the majority

It said it would be working to reach agreement on the Target issue before the European central bank came into existence in spring 1998. But if no agreement were reached, it would seek to set up a rival payments system which would ensure that UK banks had

euro in the UK have so far focused on wholesale financial cope with euro cheques and offer euro bank accounts after 1999.

of its working party set up to UK were in or out. examine how the UK government bond, or gilt, market might haveto be reformed in response to

The bank's latest report con- Emu. It concluded that all of the outstanding stock of UK gilts should be redenominated into euros as soon as possible if markets. For the first time, how Britain joined Emu and that gilt ever, it published a long checklist prices should be quoted in deciof issues important for Britain's mals rather than fractions. Howretail financial sector so that UK ever, it said interest payments on clearing banks would be able to gilts should be made in pounds during the transition period, and that interest payments should be The bank published the findings paid semi-annually whether that

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Graham Bowley

Financial derivatives business set to shrink with advent of monetary union

# Exchanges square up for a fight

By Samer Iskandar

As European economic and monetary union threatens to shrink the amount of business in listed financial derivatives, Europe's leading exchanges are expected to fight fiercely for market

share. Mr Gérard Pfauwadel chairman of the French derivatives exchange Matif. expects "substantial modification in the landscape of fut**nree and options** exchanges in Europe".

The battle between the Matif, DTB in Frankfurt and Liffe in Londoo is likely to be toughest over short-term interest rate contracts and, to a lesser extent, medium and long-term bond futures. "The shorter the maturity. the more vulnerable the contract", said Mr Jörg Franke

Because benchmark interest rates on the euro will be set by the future European Stockholm office confirmed | Central Bank, existing rates on individual currencies will disappear, suppressing the need for instruments such as Liffe's and DTB's euromark instruments and Matif's Pibor - futures and options on one- and three-month rates on the D-Mark and French franc.

from the DTB.

Liffe hopes that by converting D-Mark contracts into euros, it will retain its leadership. Matif has come un with similar measures to ensure a smooth transition from its franc-denominated Pibor contract to a euro benchmark.

Bond futures and options are also expected to undergo significant changes. The conbond yields closer together, but small differences will remain, reflecting (among other factors) differences in the perceived liquidity and credit quality of each mar-

Most existing bond prod-

Prices for electricity determined for the purposes of the electricity pooling and

netilement arrangements in England and Weles

The Pool Priose for the 25 June 1996 to the CB July 1996 have been re-established as the result of the Chapter Ends Hand the Settlement System under the provisions of the Pooling & Settlement Agreement. The recalculated prices for the 5 7.96 are provided below

The futures whose futures are in doubt

H in jeopardy, short-term interest rate products

Instrument	Volume* Futures Options	Expected effects of Emu	
1-month D-mark (Liffe) 1-month D-mark (DTB)	18,044** - 49,426*** -	Both contracts will compete sector. The possible launch product would intensify the	for European dominance of their by Matif of a short-term FFI competition.

:				product would intensity the competition.
3-month I	D-Mark (Liffe) D-Mark (DTB) FFr (Matif)	2,793,448 1,019,047	or	intense competition is expected in this sector, the most liquid erea of the short end of the yield curve. It is very flicity that there will be room for only one successful contract.
3-month	eurolira (Liffe)	727,392	134,390	Likely to disappear if and when Italy joins Emu.
3-month I	Ecu (Liffe)	37,597		Likely to disappear as soon as 3-month D-Mark or FFF becomes the benchmark for euro 3-month rates.
3-month s	sterling (Liffe)	1,541,634	260,118	Likely to disappear or be merged with Liffe's 3 month D Mark.  If this becomes the European benchmark.  (Subject to the UK joining Emu.)

3-month euroyen (Liffe) 20,404 972	Continued by Emile
Under moderate threat: medium and keep Volume Contions	Expected effects of Emu
201 27 -10 24 27	Will compete with DTB's bund contract and Matif's notional and Ecu for European dominance.
German LT bund (DTB) 1,561,739 29,697	Will compete with Liffe's bund and Matif's notional and Edit
German Bobl (DTB) 1,658,763 96,991	Set to become the European benchmark future on medium-term. (3-5 year) bonds, unless Matif and Liffe come up
Italian BTP (Liffe) 1,403,137 286,594	Likely to suffer fall in liquidity if and when Italy joins Emu.
Long gilt (Liffe) 1,779,742 183,006	Will compete with bund and notional for European dominaries.
Japanese bonds (Liffe) 94,610	Unaffected by Emu.
French notional (Matir) 2,500,162 650,291, Ecu long bonds (Matir) 40,502	Both of Matif's bond products will compete with Liffe's blind and DTB's fund. Matif has yet to decide whether to theree. then, into a single product after Emu.

friem into a single product after Emu. Number of contracts traded in November 1966. Contract opened of November 21, 1996. Contract opened in

This contract will be used by market participants to bedge against general moves national contracts will provide protection against the risk of one country'e bonds moving relative to those of ucts should continue to other countries - for exam-

But not all derivatives will rate products.

be subject to competition. The only predictable effect of in bond prices. The smaller on individual shares and tem than open ontery tlement in euros.

indices of national stock although proponents of pit markets, for example, will be trading claim it provides bet-

the shift to clearing and set-This situation is favoura-

will shift to one benchmark bunds because of political business than its French and petitive tool, hence Liffe's contract, which will act as a uncertainty or diverging eco- UK competitors, which are and DTB's quasi-simultaproxy for all bonds denominous fundamentals. In more specialised in interest neous decisions last month

DTB also has the advan- one-month rates. tage of screen-based trading, Emu on futures and options a much cheaper trading syster liquidity. All three exchanges are

convinced that offering the trade, but in smaller vol- ple, when French bonds ble to DTB, which relies widest array of products will umes. However, liquidity move relative to German more on equity derivatives prove to be an effective com-

to start listing futures on

DTB went even further last week, announcing a future on two-year rates. And Matif is considering a product based on very short rates - possibly overnight rates in order to differentiate it from its competitors' onemonth contracts.

There is no doubt that gaining market share in the run-up to Emu will boost an exchange's chances of winning the fight for European dominance. In their latest attempts at increasing trading volumes, all three exchanges have initiated links with foreign markets. Both Liffe and Matif have chosen the Chicago Mercan-

tile Exchange to offer their contracts to US traders. CME members will, as a result, soon have access to Liffe's three-month interest rate contracts on D-Marks, as well as Matif's futures on 10year French bonds. In a similar move, the DTB

has accelerated its installation of overseas terminals offering access to its listed contracts. Last week, it announced a strategic alli-ance with the Swiss exchange - which is also based on electronic trading aiming to create a common platform for trading and

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Pact sets rules for ins and outs of ERM

snmmit Dubiin agreement on a budget staand Swedish insistence, hility pact for countries in membership of the new the euro zone captured weekend headlines, but ERM is not compulsory. financial markets should not overlook a second EU pact governing currency dis-

Agreement on operation of the revamped exchange rate mechanism is an important step towards resolving a highly sensitive political issue: how to regulate the relationship between "ins" and "onts" in the future monetary union.

The new ERM is based on a "hub and spokes" concept. which means the euro will anchor the system and countries outside will target their currencies against the euro only. The idea ts to extend the zone of currency stability to outsiders.

the tradition of the old ERM set up in 1979 to minimise currency fluctuations. Here, each participating currency has a central rate against the Ecu (the basket of national correncies), which in turn allows a system of bilateral central rates to be face sanctions calculated covering all cur-The old ERM set fluctua-

tion margins of 2.25 per cent policy miscues for stronger currencies and 6 per cent for weaker ones, but it virtually collapsed in against a realignment for August 1993 under a wave of speculation against the have been absorbed. Spanish peseta, the Portuguese escudo and, latterly, the French franc.

EU leaders reacted with a typical piece of EU improvi- ion" to avoid significant sation, expanding the fluctuation bands to 15 per cent including the ECB, would either side of the central rate to avoid offering a fixed target to the markets.

ERM 2, which is due to come into force on January 1, 1999, is based on three principles.

• Flexibility. The Emn "onts" - also known in Brussels as the "pre-ins" their currency in consultaeuro bloc and the future European central bank. The idea is to set the rate according to an assessment of each country's chances of joining the euro zone.

The standard fluctuation band is not officially set at 15 per cent, but will be "relatively wide, like the present one", according to the Dublin communique. Crucially, non-Emn currencies will be able to choose to target narrower bands, in much the same way as the Germans and Dutch agreed

per cent band between D-Mark and guilder. Non-coercion. On British

though countries outside the euro zone will be "expected" to join. In the same fashion, thanks to the influence of the Bundesbank, the European Central Bank's obligations to support weaker currencies under attack is

Though future intervention is described as "auto-matic and unlimited", the final agreement states that the ECB and central banks of other countries can suspend intervention if this were to be in conflict with the primary goal of maintaining price stability. The lessons of the 1992-3

currency crises, when countries such as Britain. Italy: This approach modifies Spain and France beld out

> The British have insisted they will not if economic

political reasons, appear to

The Dublin agreement states that any adjustment of central rates should be conducted "in a timely fashmisalignments. All parties, have the right to trigger confidential talks on a realignment

 Reinforced convergence. Brussels-speak for the process whereby countries submit their economic programmes to their peers. The principle of ministerial surveillance applies to counwill select a central rate for tries inside and outside the euro zone, and will also tion with members of the apply to Britain if it decides to stay ont of Emn or ERM 2. The British have successfully insisted that they will

not face sanctions if their

economic policy miscnes. According to the agreement, the Council can make "when necessary, non-binding recommendations" to avoid misalignments and excessive nominal exchange rate finctnations. However. under the Maastricht criteria, countries that allow their exchange rates to fluctuate wildly would not qualify for monetary union.

Emu: who's going to make it

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munchs markets place on selected countries being willing and able to join

Currency strategists at investment bank J.P. Morgan calculate the Chiraco stranges a conservant swaps market, in which investors even probabilities from the interest rate swaps market, in which investors even floating rate interest payments on an investment for fued-rate ones.

Countries are selected if they have a liquid swaps market which allows comparable probabilities to be calculated. Finland, reland and Portugal will be acced to the time calculator in the coming weeks.

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Germany in forming a single European currency in 1999.

The probability which the markets place on France can be calculated by looking at the current difference between Preoch trans and D-Mark even released on comparing it to the difference you would expect to see if firm were postported indefinitely.

The probability of Spein joining the Erru rose sharply after the agreement of the budget stability pact at the European Union summit in Dublic on Priday.

The probability placed on itsly also rose.

**EUROPEAN NEWS DIGEST** 

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# Brussels warns over Anglo's Lonrho stake

The European Commission last night warned that the stake taken by Anglo American, the South African mining group, in Lonrho, the UK conglomerate, would create a dominant position in the platinum and rhodium markets and could adversely affect competition. Beginning a detailed, four-month, investigation into the merger, it sent a clear signal the deal was unlikely to be approved unchanged.

Mr Karel Van Miert, competition commissioner, has warned that any attempt by Anglo to take control of Lonrbo was likely to be blocked. He issued the warning when vetoing a merger of Lonrho's platinum interests with those of South Africa's Gencor, on the grounds that the merged group would have had a duopoly in the platinum market with a subsidiary of Anglo American. The Commission said yesterday Anglo's stake in Lonrho, at 28 per cent, gave it de facto control under EU

### Terms agreed for Stet stake

iri, the debt-ridden italian state holding company, will receiva a minimum L14,530bn (\$9.5bn) from the treasury for its 62 per cent stake in Stet, the telecoms group. The treasury will make available L3,000bn before the end of the year to sweeten Iri's 1996 accounts. The remainder will be paid over by June next year with the treasury issuing bonds funded by the national debt amortisation fund which is fed by monies from privatisations. Tha stake has a current book value with Irl of L11,000bn.

Delay in the Stet sell-off has in turn undermined Iri's plans to cut debts of around L25,000bn to around L5,000bn by the end of this year. Robert Graham, Rome

### Santoni gives himself up

One of the leaders of Corsica's largest nationalist organisation yesterday turned himself over to police two months after be was convicted in his absence for illegal possessioo of a firearm. Mr François Santoni, national secretary of the Cuncolta Naziunalista, and a former militant with the FLNC-canal historique, the clandestine movement responsible for a wave of recent hombings on Corsica, had been in hiding since be was sentenced in October to one year's imprisonment, of which eight

### Riviera 'Godfather' jailed

Mr Maurice Arreckx, a former French Riviera political boss who liked to be called "the Godfather", was jailed for two years yesterday and fined FFr1m (\$192,000) for receiving a kickback in the award of a public contract. The downfall of Mr Arreckx - who had been mayor of Toulon for 26 years until 1985, a Republican senator and head of the Var department council - followed police investigations into corruption after a mafia-style killing in February 1994 of Ms Yann Pist, a local anti-corruption deputy, in a letter made public after her death, Ms Plat told friends if she were killed. Mr Arreckx should be among the suspects. The court convicted Mr Arreckx, 79, for receiving FFr1,795,000 in 1992 from Mr Jean-Louis Germain, manager of a building company which was awarded a contract to build a technological institute in AFP and Reuter, Toulon

### Norwegian minister quits



The government of Mr Thorbjörn Jagland, (pictured left) the Norwegian prime minister, was hit by another resignation yesterday as Ms Grete Faremo, the country's oil and energy minister, stepped down in a scandal over alleged abuse of power by the national intelligence service in ber previous job as justice minister. Tha resignation is the second from Mr Jagland'e new government since he took over in October, Ms Faremo'a decision to quit was

triggered by disclosures that Norway's intelligence service, the POT, in 1995 sought information from former East German Stasi security police archives on Mr Berge Furre, former leader of Norway's leftwing Socialist Left party. The POT's head also resigned yesterday. Mr Jagland ordered an immediate review of the organisation's structure.

### Russian mines sell-off move

The Russian government yesterday announced plans to transfer the management of more than one quarter of the troubled coal industry into private hands. The decision follows prolonged strikes by unpaid coal miners and allegations that a \$250m loan from the World Bank to restructure the industry had failed to trickle through the bureaucracy down to its intended recipients.

Government said that following talks with the World Bank it had decided to privatise the management of some coal companies in the first quarter of 1997. Moscow intends to auction off the right to manage five coal mining groups: Bashkirugol, Vostsibugol, Krasnoyarsk Coal Company, Khakasugol and Leningradslanets. Together these groups account for some 27 per cent of coal production in Russia. Chrystia Freeland, Moscou

### E German business confidence

Business confidence in east Germany improved markedly in November, according to a survey conducted by the Halle Institute for Economic Research (IWH). In a poll of 300 companies in east Germany the number of those who said they expected a more positive development was double that in September. Around two-thirds of the companies described their current business outlook as

The IWH said companies working in the capital goods sector, paricularly in vehicle parts and machine-making, were the most optimistic. The most pessimistic were companies in the raw materials sectors.

In a separate survery, the Munich-based Ifo survey said east Germany's process of catching up with the west had stagnated and forecast a slightly higher rise in east German unemployment in 1997 than originally predicted. Unemployment in the whole of Germany would rise by Prederick Stüdemann, Berlin 100,000 to 4.1m.

### Internet connections to rise

Home connection to the Internet in Europe, which has lagged the US in its use of the global network, is expected to rise more than tenfold in the next five years, according to market research company Datamonitor. Although a European developed the World Wide Web - the navigation system which made the Internet easier to use Europe now represents only 10 per cent of world Internet users. Access from home, in particular, is less widespread than in the US, but Datamonitor forecasts the number of households online - 2.5m at present - will rise to 38m. Nicholas Denion, London

### **NEWS:** EUROPE

Yeltsin's daughter 'to be Kremlin aide'

Ms Tatyana Dyachenko, the influential daughter of Russia's President Boris Yelisin. is likely to be appointed formally as a Kremlin aide. according to an article published today in Sevodnya, a Moscow daily close to the

By Chrystia Freeland

Russian leadership. Tha report is likely to deepen the controversy surrounding Ms Dyachenko, who broke with Russian political custom this year by playing a key role in her

father's successful hid for rement would be likely to during this year's presiden-

Other Russian women, such as Raisa Gorbachev, who have violated the unwritten national taboo on family involvement in politics, have met with a frosty public reception.

Citing Kremlin sources.

Sevodnya said that Ms Dyachenko, who already axercises vast informal power as gatekeeper to her convalescent father, could officially join Mr Yeltsin's staff by New Year's day.

Anatoly Chubais, the Krem- as liaison between ber father of seven bankers with whom he is allied, are achieving an increasingly powerful role in

life of the nation. Vladimir Gussinsky, founder of the Most media and banking empire and a member of the close-knit group of seven fmanciers.

Ms Dyachenko developed an intimate working rela-Ms Dyachenko's appoint-

strengthen the view that Mr tial election, when she acted lin chief of staff, and a group and a campaign team headed by Mr Chubais.

convened by the bankers' the political and economic group.

Mr Yeltsin's third beart Sevodnya is owned by Mr attack, shortly before his taken by presidential decree.

ladimir Gussinsky, founder July election victory, made Ms Dyachenko's role has powerful.

In the months before the president's quintuple heart ber personal life. bypass operation and during his two month convales- also inspired requests for tionship with Mr Chnbais ceoce, Ms Dyachenko

became, in Sevodnya's words sia's neglected provinces. "the ideal lobbyist".

She was often the only person who could bring documents to her father's atten-The team was funded and tion and arrange meetings, a crucial role in a country where the most significant political decisions are still

Ms Dyachenko even more drawn a barrage of attacks in the media, iocluding muck-racking articles about

> But her influence has political patronage from Rus-

in an invitation the Kremlin shrugged off as a joke, a group of women from Tula, a region some 350 km from

Dyachenko to run for gover-They said they needed "a person capable of drawing the attention of the presi-

Moscow, petitloned Ms

dent". Sevodnya apeculated that one motive for Ms Dyachenko's appointment could be to "good fortune for the Yeltsin clan in the 21st century".

# Fischler presses for EU food watchdog

By Caroline Southey in Brussels

Mr Franz Fischler, European Commissioner for agriculture, yesterday proposed an independent consumer waichdog on food safety as part of a new regime to protect. European Union consumers from dangerous foods such as beef from cattle infected with mad cow dis-

Mr Fischler said the EU needed a member states acted on EU laws powers the agency should have, as issues. It would be created by designed to contain animal dis-

body could have powers similar to the European Court of Auditors, which acts as the EU's financial watchdog and has extensive investigative powers.
"Wa need a body that has a high

profile and is accepted by public opinion. It needs to be independent of any interest groups," Mr Fischier told a press conference in

consumer agency to ensure that with member states over what of member states on food safety

He will also have difficulty convincing capitals that extra cash must be found for the agency. "There are still many member states which bave misgivings about resources," he said. "But if we want more European inspectors

to political intentions." Mr Fischler said the agency would work closely with the Com-Mr Fischler faces a tough battla mission in monitoring the actions

we will need more than lip-service

He said the inspection teams would be separated from the agricultural directorate in Brussels. "We oeed to have a separatioo between legislation and implemeo-

tation," Mr Fischler said. He also called for changes in the way scieotific advice was given to the Commission, particularly the appointment of advisers. "The clearer separation we bave between science and politics the better it will be for the consumer,"

for the EU were "not in a positioo to do their job" but that there was "no reason to suggest there was on

room for improvement". Mr Fischler's intervention comes as the European parliament wraps up its inquiry into the management of the crisis sparked by bovine spongiform encephalopathy (BSE) or mad cow disease. His comments are designed to pre-empt the inquiry's final report due out early oext year which is likely to include

He added that he was "in no way Editorial comment, Page 17

# Serbia finds a voice for democracy

Laura Silber tries to interpret an unfamiliar protest language

through the drab centre of undemocratic nation." Belgrade are showered with confetti by old women, serenaded by gypsy bands and greeted with victory signs by office workers leaning out of

news network. Along with

Seven years after the "peoof central and eastern Europe, the Serbian capital has witnessed more than four weeks of protests commitment to western against the government for democratic standards - and ries in local elections on ment which ended the war November 17 and awarding in Bosnia. Support for that control to President Slobo- agreement is intended to dan Milosevic's Socialists. Yesterday tens of thou-

sands of protesters chanted "victory" after a local court in Smederevska Palanka, south-east of Belgrade, overturned the annulment order. It followed a similar decision on Sunday in Nis, an industrial city, which ordered the

Bolstered by a record turnout of 250,000 people in Bel-grade on Sunday, and protests spreading to more than 20 Serbian towns, opposition leaders have tasted victory. They vowed yesterday to keep up the protests until Mr Milosevic restored their win in the Serbian capital. Having suffered the post-

ponement of trade concessions by the west and now sanctions, the Serbian Presibelieved to have been behind to stop it." she says. the decision in Nis. And last week he invited the Organisation for Security and Co-operation in Europa November poll.

ent from the Serbia of the say the economics students. past five years, dominated by Mr Milosevic and an obe- vided by the demonstrations, dient Serbian population the regime does not appear ready to go to war and suffer to be in immediate dancer. sanctions at his command.

some dislike his past associa- part of Serbia's total 10m tion with, and apparent people. revived affection for, communism; others blame him

for economic failure. of the Democratic party through excessive force, which is part of the Zajedno instead choosing to use the (Together) opposition coali- media, economic pressure tion, says there has been a and the tactic of selective sea change, both in Serbia arrests which carry a wider and beyond, in how the message of intimidation to

he growing number of bow others ese them: "These demonstrators who protests have changed our every day march image as a problematic,

The pragmatic Mr Djindjic has emerged as the mastermind of Zajedno, marginalising the charismatic Mr Vuk Draskovic, head of the Serbian Renewal Movement. His "CNN, CNN," they chant, Democratic party has signalling their approval of forward clear proposal the US-based worldwide free-market economy. Democratic party has put forward clear proposals for a

Whereas in the past the tha rest of the western main opposition groups media CNN was until espoused nationalist goals, recently derided by most they are now keen to dispel Serbs as biased against them any suspicion that they in Yugoslavia's violent disin- share the aggressive Serb nationalism which in tha past Mr Milosevic used as a ple's power" revolution battle cry but which won the brought democracy to most Serbs near-universal foreign condemnation.

The Zajedno parties have repeatedly underlined their annulling opposition victo- to the Dayton peace agreeimpress western governments, which until recently regarded Mr Milosevic, for all his faults, as a guarantor of any Bosman settlement.

But the claim to have eschewed nationalism and ambraced democracy is made with even greater conviction by the students, local electoral commission to reinstate the opposition victory.

Whose slogan — "Belgrade is the world" — recalls the overthrow of communism in Prague and East Berlin in

> "They are protesting the violation of basic civil rights," says Mrs Olga Popovic-Obradovic, an academic at Belgrade University law school. "There is no irrational mystification, no mention of national programmes or borders."

Students, she says, are the only generation who cannot facing threats of renewed be held responsible, even indirectly, for the fighting in dent appeared to be making ex-Yugoslavia. "Anyone else some concessions and is can be asked what they did

witty: "I think, therefore I don't watch (OSCE) to send a delegation state television," reads a to assess the fairness of the sign carried by philosophy students. "Milosevic. yon It all looks so very differ- have used all your credits."

For all the spectacls pro-Mr Milosevic has built the Some of those in the 100,000-strong police force streets today are there into his own personal army. because they despise Mr Mil- complete with belicopters. osevic for toying with Ser- light tanks and artillery, in bian nationalist emotions by addition to the standard riot first promising to fulfil - gear, and he also still comand then abandoning - the mands the support of Serbdream of a Greater Serbia; ia's rural population, a large

For the time being at least, fearing western condemnation, Mr Milosevic is resist-Mr Zoran Djindjic, leader ing restoring his authority Serbs see themselves and try to contain the protest.

# Cinecittà workers in protest at moves for television link

By John Simicins in Milan

Workers at Cinecittà, Italy's Hollywood, where epics such as Ben-Hur and War and Peace were made, yesterday protested about moves to set up a naw company strongly weighted with television interests to rent and manage

tha film studios.

Cinecittà last year lost L14bn (\$9.2m) on revenue of L42bn: its Rome studios cover 30 acres compared to 600 whan built before the second world war, Ente Cinema, the Treasury-controlled company that owns the stu-

casting network, Mediaset, the television company controlled by Mr Silvio Berlusconi, and Rank Group of the UK which it proposes should have 20 per cent each. A company controlled by

Mr Vittorio Cecchi Gori, Italy's leading film maker, will hold 10 per cent and a consortium of independent film makers the remaining 10 per cent.

The communication workers' union, which represents 500 staff at Cinecittà, said: "The significant entry of television interests weakens dios, is to take a 30 per cent the cinematographic element stake in the new concern, to of the studios. We want the be called Cinecittà Servizi. right balance between cin-

partners the RAI state broadsaid half the 10 studios were at present being used for making television pro- tion with the Treasury. Workers say the decision

should not have been taken as the final act of the previous Ente Cinema board. The CGIL union confederation, of which the communication workers' union is a member, said it would ask Mr Gillo new board which was elected yesterday, to freeze

the plan. Rothschild Italia, which has been advising Ente Cinema in the search for partners, said it would be surprised if the proposed composition of Cinecittà

selection in close consulta-

One reason for cominating television companies is understood to have been the need for them to have access to good production studios because of Italian government plans to ensure about a fifth of television transmission consists of European-Pontecorvo, chairman of the made fiction films. This would produce about L700bn of work over the next two to

three years. Ente Cinema also nominated Focus-Goldberry, an Italian concern controlled by Time Warner, to build and complex planned for a cor-It has named as potential ema and TV". The union Servizi was altered because ner of the studios' grounds.

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### Court reduces sentences on ex-presidents and business chiefs

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# Chun escapes Korea's death row

By John Burton in Seoul

A South Korean appeals court yesterday reduced the sentences of two former presidents and several corporate chairmen ou seditiou and corruption charges in the nation's "trial of the ceutury".

A death sentence given to ex-president Chun Doo-hwan was commuted to life imprisonment, while the jail sentence handed down to Mr Roh Tae-woo, his elected successor, was reduced to 17 years from 22 years.

The former presidents, who ruled South Korea hetween 1980 and 1993. had been convicted in August of staging a military coup in December 1979 that brought them to power. They were also convicted of ordering the army to suppress a pro-democracy demonstration in the city of Kwangju in May 1980 which eoded in more than 200 deaths.

They has also been found guilty of illegally amassing \$1bn in slush funds. Top businessmen convicted of bribing the two former presidents for state contracts were allowed to

chairman of Daewoo, the South Kor-ean conglomerate, and the heads of



Chun Doo-Hwan (left with glasses) and Roh Tae-woo: sentences reduced

the Dong-ah and Jinro groups next president, to be elected in late received suspended jail terms. The 1997, will probably grant amnestles chairman of the Hanbo group and the bead of Daewoo's trading house

had their convictions quashed. It had been expected the appeals court would reduce the sentences. The defendants may also appeal to

the supreme court to determine the validity of their convictions. Many South Koreans believe the business leaders, the court said ruling party from them.

to Mr Chun and Mr Roh.

The appeals court said it decided to be lenient because of their contribution to the nation's economic development and their willingness to transfer power peacefully through direct presidential elections. In reducing the sentences for the

responsible for forcing the corporate executives to make the payments. Prominent South Koreans previously convicted on corruption and other charges have frequently had

their seutences reduced or suspended for similar political or

But the appeals court decision provoked furore among relatives of the victims of the Kwangiu massacre. This is unfair. This is obviously a prepared script." said one Kwangiu mother outside the court.

The court's decision to commute Mr Chun's death sentence allows President Kim Young-sam to escape possible political censure. Mr Kim had been expected to issue a pardon before his single term in office ends in late 1997 if the appeal court had upheld the death sentence.
But the reduced sentences given to

most of those convicted in the trial are likely to renew charges that tha case brought against the two expresidents was largely motivated by political considerations.

Critics clsim President Kim ordered the trial of his predec as a means to wrest control of the

# Manila exchange powers

The Philippine stock exchange (PSE) was yesterday accorded self-regulatory status by the Securities and Exchange Commission, the market watchdog, allowing it to devise its own rules and discipline members for

The SEC retains powerful tudicial functions as well as the authority to intervene in extreme circumstances, simflar to its US counterpart.

The exchange's longawaited new status as a selfregulatory organisation (SRO) is effective until the end of February, by which time it must provide further regulatory details, such as how it proposes to deal with insider trading.

"It's important for them to submit a regulatory plan to define parameters under its...new status," said Mr Perfecto Yasay, SEC chair-

Mr Vitaliano Nañagas, PSE president, said achiev-ing SRO status was a boost to the exchange's credibility: "This is the most important public recognition of the PSE's attempts to become world class," he said. "We're not bothered [by the limit of SRO status to the end of February]. Pm not comfortable without a plan, and the PSE won't forward until I have

The new status comes after much wrangling between the PSE and the SEC. Earlier this year, a local real estate company was berred by the PSE from listing, after its involvemen in a legal dispute with the family of the late President Ferdinand Marcos concerning ownership of part of its perifolio. The SEE overturned the ban, only to see it reimposed by the PSR.

Another area of contention between the two bodies has centred on the level of public, as opposed to bro-kers', participation in initial

### ASIA-PACIFIC NEWS DIGEST

# Seoul tries to gains new boost bourse

The South Korean government yesterday announced long-expected measures to boost the Secul bourse, which has fallen to a 39-month low. Curbs on investments by pension funds in the stock market will be eased; listed companies will be encouraged to increase dividend payments to shareholders.

Securities firms will be able to offer increased interest rates of 5 per cent on consumer deposits to attract more funds. Limits on the duration and interest rates of maryin loans which securities firms make to customers will be abolished. The government suggested it would adopt a flexible monetary policy to ease a liquidity shortage in financial markets. The measures, to be introduced gradually from next week, are not expected to lead to a sharp rebound in share prices, but could help restore psychological stability to a market badly shaken in recent

### Taipei hits back at Pretoria

Taiwan is to suspend air links with South Africa from February 15 in retaliation for Pretoria's decision to sever diplomatic relations. Taipei said yesterday. South Africa's President Nelson Mandela announced on November 27 that Pretoria would cut ties with Taipel at the end of next year end recognise Beijing as the legal government of all China from January 1 1998.

The air link would be restored "when an arrangement governing future ties between the two countries is eached to our satisfaction", Taipei foreign minister Mr John Chang said. South African Airways would heve to suspend its twice-weekly flights between Johannesburg and Taipei when the aviation agreement was frozen, he added. China Airlines, based in Taiwan, had stopped its service in late October.

APP, Toip

### China in move on Sikkim

China is moving towards recognising Indian rula over the disputed Himalayan region of Sikkim, which New Delhi took over in 1975, India's foreign minister, Mr Inder Kumar Gujral, was quoted as saying yesterday. The Press Trust of Iodia said Mr Gujral told parliament he had discussed Sikkim with China's President Jiang Zemin last

Mr Jiang's visit to New Delhi was marked by an agreement to reduce troops and armaments along the Himalayan border. The pact fleshed out an agreement in principle signed by a former prime minister, Mr P V principle signed by a former prime minister, or r v Narasimila Rao. in Beijing in 1993. Reuter, New Delha

## Singapore elections 'soon'

Singapore a President Ong Teng Cheong yesterday dissolved perliament, and the government set a December 23 deadline by nomination of candidates for an election, likely to be right in the week ending January 4. The ruling People's Action party (PAP) is expected to win easily. Mr Cohi Citols hong, prime minister, has kept the country gnessing his seeks over when he would call the elections, which must be held by April. At the weekend, he suggested they would be held "sooner rather than later". In the last elections in 1991, Mr Goh's PAP, which has won every reflection since 1959, won all but four of the 81 elected seats in parliament. Opposition parties hope to win at least 10 seets in what will be a parliament of 83 elected members.

Reuter, Singapore

# Japanese set sights on foreign trips

With a string of New Year abroad for the first time. national holidays approaching, a record number of Japanese, traditionally reluctant travellers, are preparing for trips sbroad, a sure sign of the consumer revival taking

It is a strong indication that the Japanese are abandoning their indifference to foreign holidays, which a decade ago prompted the government to urge Japanese "salarymen" to see and spend more in foreign countries. Underpinning this encouragement to travel abroad was Japan's huge and politically sensitive balance of payments surplus, which Tokyo was under intense pressure to reduce.

By urging workers to spend their holidays abroad, rather than at home, the government hoped to cut the surplus. It coincided with a from December 23 to Janu-

The recent steady increase in overseas travel and expenditure by Japanese was evident in the October current account surplus, published this week. In services trade, Japan posted a deficit of Y657.9bn (\$5.8bn), the biggest monthly deficit on declines within the services trade deficit was in the tourism account, which showed a deficit of Y318.2bn, up from

Y311.6bm a year earlier. This trend is supported by the findings of Japan Travel Bureau, the country's largest. travel agency, which compiles one of the most comprehensive surveys of Japauese tourism trends.

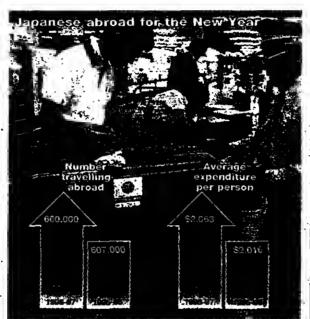
Its survey found that more than 660,000 Japanese travellers will travel overseas in the year-end holiday, period

strong yen and prompted ary 3, an increase of nearly 9 many Japanese to travel per cent from the period last then stay away longer than ever before and will spend more on New Year trips than in the past six years,

One reason for this record number of travellers is the bunching of New Year national holidays, which fall record. One of the largest, so that Japanese workers will gain the longest holiday sequence for some years. Underlying reasons for the

boom are largely economic, and stem from recent pay rises, a growing recovery in personal consumption and the increase this season in annual winter bouuses. Bonuses, paid twice a year by companies to vast numbers of employees, can range from two to four months' extra pay, or more.

The revival comes in spite



of a continuing shake-out in where there has been a agents and intensifying price Japan's travel industry, growth in discount travel competition among airlines. I public offerings.

# A dam up against the wall

### James Kynge on Malaysia's still troubled Bakun hydro project

any of the tales of the style of Malay-sia's most famous construction manager may be apocryphal. But one story is true: early this decade Mr Ting Pek Khiing took just 53 days to build a hotel on the resort island of Langkawi. The top-speed effort, which alleviated an sccommodation shortage before an important international conference, caught the eve of Dr Mahathir Mohamad, Malaysia's hard-driving prime min-

Mr Ting, now the driving force hehind Malaysia's ambitious Bakun hydroelectric power project, is a folkloric figure in his adopted home town. Most peopla in Miri, it seems, have a story about the one-time timber merchant who is now managing the construction of the M\$13.05bn (\$5.2bn) dam deep in the jungles of Malaysian Borneo, one of the biggest infrastructure undertakings in south-east Asia.

However, despite the vaunted qualifications of Mr Ting and the project's lead contractor, the Swiss-based Asea Brown Boveri, it has been clear for some tima that the construction of Bakun presents a consider-able challenge. Signs are now emerging that raising ment-linked company withthe finance for the dam may be yet more difficult than building it.

Much rests on an initial public offering (IPO) of shares in Bakun Hydroelectric Corp, the joint venture Corp had been due to take a which is to finance, manage and operate the dam. It is typical of the project that uncertainty shrouds key details of the IPO. Mr Ting ing earlier this year from 25 has said he wants to raise M\$8bu by the issue of 4bn companies are usually stal-Bakun shares at M\$2 each in warts of what the governwhat would be Malaysia's ment proudly calls Malaysia biggest share flotation. But Inc. and are willing to make the annual report of Mr sacrifices for the common Ting's holding company, Ekran, mentions only an issue of 1.5bn Bakum shares. believed that the 1.5hn share Ekran has declined to provide guidance until a formal prospectus is published.

Signs are now emerging that raising the finance for the \$5.2bn project in the jungle of Borneo may be more difficult than building it

to Ekran, the flasship of Mr Ting's expanding corporate empire. The remaining 25 per cent is to be divided between foreigners (10 per cent) and the Malaysian public. It is these last two categories which worry stock market analysts most.

"We will not be participating," said one Europe-based fund manager with more than US\$1bn invested in Asia. "We have s duty to our clients. The potential invest-ment rewards from Bakun simply do not outweigh the obvious risks." The fact that one govern-

drew its pledge to buy Bakun shares this mouth and another slashed its promised involvement has done little to bolster confidance. Malaysian Mining 5 per cent stake but it backed out. Tenaga Nasional, the national power utility, cut its promised holdper cent to 5 per cent. Such economic good.

The central problem with raising equity finance for Brokerage house analysts Bakon is that the dam is not scheduled to start commerlaunch may be the first in cial operations until August several tranches of the 31 2003. Money invested now scheduled 4bn issue but will be exposed to the considerable risk of an ambitious engineering project during a six-year period in Three quarters of Bakun's which Bakun will not see a shares have been allocated cent in operating income. to a collection of govern-. This may be enough to damp ment-linked companies and enthusiasm in a country



Ting Pek Khiing

where IPOs are often more than 50 times oversnbscribed. But even when operating not only cloud the outlook : income begins to roll in, the

dam's return on equity - a key measure of a project's attractiveness to investors may not be overly attractive. Mr Ting has estimated that it could be 10.5 per cent.

"The bottom line is that the long-term return on this ernment to underwrite the project is inadequate," said Mr Mark Mansley, a director at Delphi International, an investment analysis company in London. "Even 10.5 per cent is well below the long-term return generated by most European equities,"

Meanwhila, Malaysia's a high court ruling this year great."

the felling of jungle over such a large area could affect rainfall, soil erosion and the silting of the reservoir. Such uncertainties. make it impossible to predict all-important water flows. These, and other, factors for raising equity finance: they also apply to commer cial bank lending. Debt finance could account for between 40 and 60 per centof the project cost, analysts say, .The solution they

that the environmental.

study on the dam was con-

ducted in an unlawful man-

ner, but residual legal and

social problems cannot be

discounted. Some 9,500 tribal

residents of the jungle will

have to be relocated to make

way for a reservoir larger

than Singapore and environ-

mentalists may renew a

campaign of opposition to

the dam - a factor which

has turned some potential.

European and US investors

It is also not known how:

off the project.

den from lenders. "In the end, the government may be forced to support this project even more than it already is," said s government official in Kuala Lumpar. "It is highly unlikely that Bakun will be abandoned but the cost to appeal court has suspended the nation may be far too

added, might be for the gov-

debt, removing the risk bur-

**G**elstra

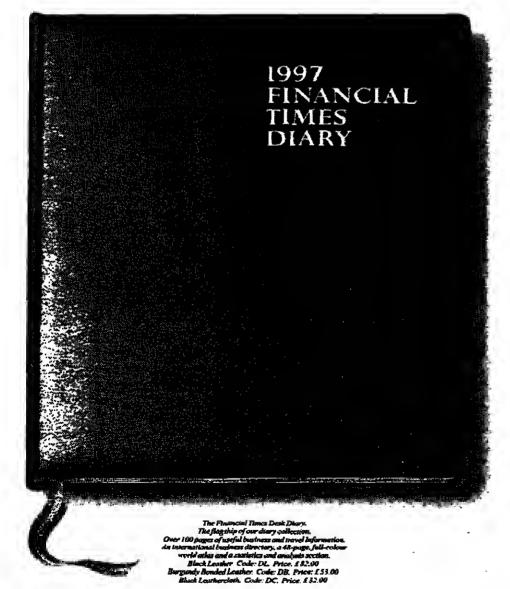
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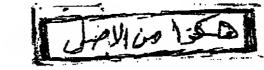
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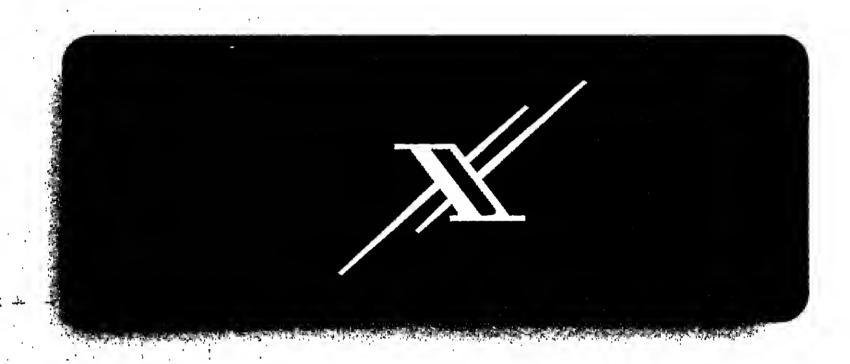
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SIR LAURENS VAN DER POST

More than 100,000 Rwandan Hotu refugees ended two-and-a-half years of exile yesterday, streaming home on foot across the Tanzania border, Reuter reports from Ngara, Tanzania.

More than 200 children were separated from their parents to the crush of fugees and a UN official feared the total could reach 1,000 by the end of the day. Mothers tied themselves to their children with yellow string supplied by the Red

In Geneva, the UN refugee agency said 103,000 refugees yesterday bringing to 133,000 the number of returnees in the past three days. Some 100,000 flutus in Tanzania were heading for Rwanda and another 50,000 were preparing to leave camps in Kitale area.

"This means we bave more than 280,000 people who have either returned or are on the way home." the agency said.

There bad been 540,000 Rwandan refugees in Tanzania but the UN does not know where the rest are In Nairobi, President Nelson Mandela of Sonth Africa discussed the conflicts in Zaire and Burundi with eight other African leaders for two hours yesterday.

Snecnmbing international pressure to get involved. Mr Mandela took part in talks on the crisis in the "Great Lakes" region of Central Africa for the first

Zaire, the country at the heart of the conflict, stayed away from the summit. damping hopes for any breakthrough in the search for peace. "It is hard to see what can be achieved without Zaire here," one delegate said.

Mr Mandela took part in closed-door talks with the leaders for a

# Israel under fire on Writer settlements policy

By Judy Dempsey in Jerusalem

Three former US secretaries of state, Mr James Baker, Mr Lawrence Eagleburger and Mr Cyrus Vance, have attacked Israel'e policy of expanding Jewish settlements in the West Bank. saying it is counterproductive "to the goal of a negotiated solution."

In a letter to Mr Benjamin Netanyahu, the Israeli prime minister, they urged him not to take unilateral actions that would preclude a meaningful negotiated settlement and a comprehensive and lasting peace.

The letter reflects increasing concern by the Washington establishment, the European Union and the Arab states that all the progress of the past few years towards a negotiated peace could be squandered if the settlement polícies continue.

The Israelis yesterday appeared to shrug off such criticism. A government official said the letter by the former US secretaries of state should not ba dis-

Shultz" - another US secretary of state. The official added that the signatories to the letter "were in any case not known to have been the most friendly in the past to Israel."

The Clinton administration has taken a far less critical stance, repeating yesterday the settlement policy was "troubling".

The letter coincides with attempts by the US administration to renew talks on the long-delayed Israeli troop redeployment from the West Bank town of Hebron Mr Netanyahn and Mr Yassir Arafat, president of the Palestinian Authority, spoke by telephone on Sunday night after Mr Yitzhak Molcho, an adviser to the prime minister, and Mr Danny Naveh, the cabinet secretary, visited Mr Arafat in Gaza.

Last night, Mr Molcho met Mr Saeb Erekat, the Pales-tinian negotiator in Jerusalem, to renew the Hebron

Mr Arafat himself has already made moves to try to find the gunmen who last week killed a Jewish settler noticeable about the letter and her son near the West was that it did not include Bank town of Ramallah. Sev-

detained but in the meantima the town has haen closed off by Israeli forces. Mrs Hanan Ashrawi, the

higher education minister in the Palestinian Authority, said the closures were severely disrupting health and educational services.

The growing tension is causing increasing concern among Israel'e business community, which has used the peace dividend of the past three years to forge contacts in the Arab states, Asia and Europe but which fears they could be undermined by Mr Netanyahu's policies. The latest casualty is the

Israeli Growth Fund, a US fund investing in Israel, which yesterday was wound up for lack of demand among investors due to the political tension.

However, despite the vir-tual standstill in the peace process, Mr Dan Gillerman, chairman of the Federation of Israeli Chambers of Commerce, will today head a delegation of businessmen to Ramallah to meet Mr Maher Al Mazry, Palestinian minister of industry and trade to promote co-operation.

# with a range of

Sir Laurens van der Post, whose death was announced yesterday, was an internationally successful Afrikaner writer who made his life in Britain and also excelled as soldier, explorer, film-maker and unofficial diplomat.

Born in 1906 in the Orange Free State of Dutch and Huguenot stock, and ought up not far from the Kalahari desert, he became a journalist in Durban as a very young man before travelling to England, where he farmed in Gloucestershire, joined the fringes of the Bloomsbury set, and published his first novel, In a Province, in 1934.

With the outbreak of the econd world war he served with the British army first in Ethiopia and the Western Desert and than in Java, spent 31/2 years as a prisoner of the Japanese. He would afterwards write frequently about that desperately dangerous period; he always took a close and sympathetic interest in Japan's post-war

progress. After his release, he was sent by Lord Mount-He then returned to Africa where, as a direct result of his book, Venture to the Interior, the eloquent and poetic record of an expedition he led in Nyasaland on behalf of the British government. he became an internation-

> which became an elegy for the Bushmen. His later books were ever more autobiographical, more ing of Rhodesia's rebellion.

ally renowned author. In

addition to various success

ful novels, he wrote, and made films, about his jour-

neys to the Kalahari, books

mystical, as he became more identified with the great Swiss psychologist Carl Gus-tav Jung. (He wrote a biogra-phy of Jung, his second wife Ingaret Giffard, whom he married after the war, was a Jungian analyst).

Sir Laurens pictured in October with his autobiography, The Admiral's Baby

Van der Post also played a. discreet but significant role in public affairs. Although he was always a passionate opponent of racism and of apartheid, he maintained close links with the South African white "Establishment" and was able to help in the negotiations which led to the Lancaster House end-

was believed to influence -Margaret Thatcher. More. delicately, and even more discreetly, he was close to "the Palace", and in partic ular to the Prince of Wales (to whose son William he was godfather).

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But in his later years his greatest attention was probably given to various "wilder-

He had two children by his first wife Marjorie Wendt: his only son died in 1984; his daughter, Lucia, ia a well-known member of the

# Belgian power group becomes Almaty's bogeyman

hen thousands of angry customers were electricity in Almaty, the mountain-flanked capital of Kazakhstan, they knew exactly who to blame - Tractebel, the Belgian ower company.

The company appeared to have struck a profitable deal in August when it paid \$5m for the assets of Almatyenergo, a monopoly that produces and distributes heat and electricity to about 15,000 entertions and 650,000 households in the capital and the surrounding province. The Belgian company also took on some ontstanding

debt and pledged to invest \$270m. Since then, however, Tractebel homes and offices have been left in the dark and freezing cold more than ever, - and the Belgians have become bogeymen.

"I think we underestimated the effort needed," said Mr Jan Bens, managing director of Almaty Power Consolidated, Tractebel's study it all thoroughly, and didn't appreciate the complexity of the

Tractebel made itself unpopular prises and government institu- from the start. It was free to hire and fire. But then one of the 500 sacked employees committed suicide by setting himself ablaze in front of the company's office. A campaign to boost payment discipline by cutting off electricity thought getting fuel oil would be when hills were overdue no problem," Mr Bens said. "We able pitfall of investing in the for- reinforced communist-bred fears, saw a refinery 800km away, and we're basically sitting on an

mer Soviet Union. As a result, of cold-blooded capitalism at its worst

Tractebel also found out that equipment was even more decrepit than expected while coal and fuel oil supplies were close to zero just before winter began, New supplies of coal were disrupted as a result of the mine's venture in Almaty. "We didn't privatisation, and when supply contracts were re-confirmed tha dilapidated railways could not supply coal quickly enough.

Tractebel had also counted on gas for its heating plants, but Uzhekistan cut off supplies hecause of Kazakh government debts. Fuel oil, the only alternative, proved even harder to get. "It's a land rich with oil so we

thought we didn't need to stock island," Mr Bens said. fuel oil. We had contracts after all. But the problem was not the contract but the physical delivery." Supplies from this refinery take three days, and the next refi-

nery is eight days away.

Then supplementary electricity supplies from outside the province also failed to arrive. "The whole Soviet power grid was well organised," Mr Bens said. "But if fell apart." Russia and Kyrgyzstan cut off electricity because of outstanding debts, causing power plants in much of Kazakhstan to shut down frequently. Tractehel then appealed to a power plant in the Kazakh town of Dzhambul hut

through Kyrgyzstan, which was

not co-operating. "Since then

Tractebel's popularity sank well below freezing point. So far Tractebel has put in \$55m, despite a guarantee that the company should be able to cover all costs in its tariffs and still found out power lines passed

make a 25 per cent profit. "The contract; gives the company the right to incorpered Mr. Nikolai Radostovets

As a result, Tractebel was 36

off in rotation. But at neak hours

we had to cut everything we

could," Mr Bens said. As the city's

gas system was off as well, many

families ended up cooking meals

on bonfires in the courtyard and

Anti-Monopoly Committee.

But Mr Radostovets accused. Tractehel of "providing false inforper cent short of electricity at mation" on some expenses and peak hours when the first heavy mation" on some expenses and frost set in "The plan was to cut balked at counting non-payment of bills and a one-time payment of salaries owed hy Almatyenergo before Tractebel took over. Neither Mr Radostovets nor other officials have called for a cancellation of the contract with Tractebel, however, fully aware that many of the problems are not of Tractebel's making.

Tractebel also has no intention of pulling out, "I was told it would. be pioneer's work," said Mr Bens. "We had to learn how to do bustness in Kazakhstan, It's difficult now, but I have faith that we can make this work."

Sander Thoenes

### **NEWS:** THE AMERICAS

# fastest computer

Teraflop machine does 40bn sums in blink of an eye

By Louise Kehoe in San Francisco

intel, the leading maker of microprocessor chips, has built the world's fastest computer, capable of performing up to one trillion (1.000bn) calculations per second.

The "teraflop" computer is a landmark in terms of computer performance. It is explosions, enabling the US than the previous record Japan by Hitachi. A teraflop is one trillion floating point operations per second, or a million million calculations with more than a dozen dig-

Another measure of the culations in the blink of an

"This is the digital equivalent of breaking the four-minute mile," said Mr Craig puters and office network servers. Barrett, intel chief operating officer. "We have broken the psychological barrier." entists all over the world as The key to achieving such

of computer simulations." been built under contract to their computer power is

the US Department of Energy's Sandia Laboratories. which plans to use the computer to simulate the explosion of stockpiled unclear warheads. This will help to eliminate the need for actual almost three times faster to adhere to the comprehensive test-ban treaty signed holder, a computer built in by President Bill Clinton in September, said Mr Jack Gibbons, science adviser to the president.

Unlike earlier snpereach involving numbers computers built for government use, the Intel computer has been made with standard off-the-shelf compospeed of this computer is nents. These include 7,264 that it can perform 40bn cal- Pentium Pro microprocessors on standard circuit boards thet are used in highperformance desktop com-

The current version of the machine is a prototype and the final version will incor-Intel's demonstration of ter- porate over 9,000 microproaflop performance will cessors, giving it a sustained "change the thinking of sci-performance of 1.4 teraflops.

to what is possible in terms high performance is the way in which the microproces-The Intel machine has sors are tied together so that

> additive. While the teraflop computer has been built specifically for nuclear simulatlons, the technology is expected to find broad applications. Scientists may use this technology to address the "grand challenges" such as the human genome project, the mapping of human genes, said Mr Gibbons.

> Global climate modelling and weather forecasting, such as predicting tornadoes and hurricanes, may also benefit from this technology. said Ms Hazel O'Leary, US energy secretary. While it is unlikely that

> businesses will use teraflop computers in the near future, scaled-down versions of the Intel supercomputer, using the same interconnec tion technology, are likely to find use in the design of aircraft, simulating car crashes. or building design, she added: "This pnts the US clearly in the lead in terms of supercomputer innova-

# Intel builds world's US output boosted by end of GM strike

US industrial production rose Motors plants lifted manufacturing output, the Federal Reserve said yes-

Total production rose by a seasonally adjusted 0.9 per cent last month from a month earlier, a etrong output 25 per cent from a month per cent in October. About half of

the US central bank's main

boardroom this morning for

their last meeting of 1996.

they could be forgiven for

year-end self-congratulation.

six years of growth, the US

economy is still set fair. In

spite of fears in the last few

years that it would hit one

the 1960s.

to work at strike-affected General a surge in production by gas and facturing output was up 4.7 per cent six months. electricity companies in response to on a year earlier, while total producthe exceptionally cold weather tion was 4.4 per cent higher. across the country.

the fastest monthly increase since

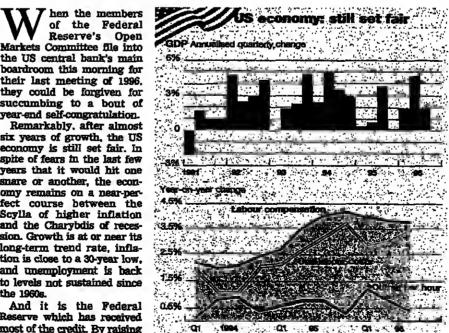
Mannfacturing production than cars and car parts dropped capacity. This was still well below increased by 0.8 per cent and utility slightly while non-durable goods production edged up, reflecting gains in year, however, and was also comfortrebound from the revised fall of 0.2 earlier. The manufacturing figure, foods, chemicals, paper and energy ably below levels normally associ-

the overall increase was attributed. June, suggests the pace of activity at duction continued to show strong to the ending of the GM strike, but the nation's factories has quickened growth, especially computers, output there was also a strong gain in out- towards the end of the year after a of which has grown at an onnual sharply in November, as the return put among other manufacturers and deceleration in the summer. Manu- rate of over 20 per cent in the last

The rate of utilisation of industrial capacity also picked up in Novem-Output of consumer goods other ber, reaching 83.3 per cent of total products. Business equipment pro- ated with inflationary bottlenecks. ...

# So far, so good for America Inc

Unfortunately, the past is not a reliable guide to the future, reports Gerard Baker



snare or another, the economy remains on a near-perfect course between the Scylla of higher inflation and the Charybdis of recession. Growth is at or near its long-term trend rate, inflation is close to a 30-year low, and unemployment is back to levels not sustained since And it is the Federal Reserve which has received most of the credit. By raising interest rates when others Sound for the States might not have done in 1994. and then lowaring them

again in 1996, the Fed has gently steered the economy the economy is not an espeon its current benign course. But the warm glow of success at the Fed's top table today will be chilled a little published data that inflation by the certain knowledge has been increasing - conthat central bankers are only sumer prices are rising at 1997. as good as their last policy most by about 3 per cent a The most important is mistake. Having lowered year, end core wholesale whether or not the principal interest rates at the start of the year when the economy appeared soft, they know will that continue? they will be widely blamed if they fail to raise rates soon enough if inflation threatens to take off. But the correct

The problem for the Fed is need for action is evident to that the past behaviour of the public at large," he said. In the face of stubbornly cially reliable guide to future benign historic data, there performance. Though there are several questions the is little evidence from the Fed's policymakers must consider looking forward to inflationary developments in

prices are rising even more source of inflationary presslowly - the real question is: sures - a tight labour market - can go on much longer As the Fed's chairman, Mr defying the logic of history

has sent alarm signals to policy makers. The best explanation for this behaviour is that workers may have moderated their claims because of the widespread insecurity that abounds in US labour markets, a sense of insecurity that is likely to fade, economists believe. In the last three months, unit

cause an acceleration in inflation.

Though the data suggest

that wage costs have indeed

total has fallen, they have

not done so at a pace thet

slightly faster upward trend, indicating perhaps that the insecurity may have come to an end. "What we have so far is not a full fire drill," says Mr a surge of extra spending by

labour costs have been on a

clear whiffs of smoke in the There are hints too of a bottleneck in the capital Fed is about to insure goods market, which is also an early warning sign of

inflation to come. ago about "irrational exuberance" in the stock market tightened policy," he says. set off a bout of selling. Some investors tried to dis-

seems highly unlikely. must operate on the basis of well below what economists at the Fed that before long. If the evidence were now forecasts. "Often, we need to generally accept as the rate the explosion in stock prices clearly visible, it would probtighten or ease before the at which wage pressures will spill over into the rest of ably already be too late.



Greenspan: forecasts needed

s hubble in broader financial assets such as property and John Lipsky, chief economist consumers whose wealth at Salomon Brothers, the appears to have been bol-New York investment bank, stered by higher stock "but there are certainly now prices.

Mr Stephen Roach, chief economist at Morgan Stanley in New York, believes the against that with an increase in interest rates. Three times in his career But perhaps the most Mr Greenspan has had to intriguing puzzle for policy- deal with bubbles - in 1987 makers is what to do about in the stock market, in 1993 developments in the finan- in the bond market, and now cial markats. Mr Green- in stocks again in 1996. On span's remarks two weeks each occasion, the Fed has given fair warning, and then

The only problem is that there is little clear evidence miss his intervention as that the feared spill-over merely an attempt to talk from financial markets has the market down. But that started to happen - yet. But that, of course, does not rule More probable is a concern ont action by the Fed soon.

# Mexican banks warning

By Robert Chote, Economics Editor, in Washington

Mexico could face further social discontent and political instability if its enfeebled banking system undermines crucially on an orderly reso- active encouragement of the country's fragile eco- lution of the banking system nomic recovery, according to problems", according to the an internal World Bank draft "country assistance analysis to be discussed by strategy" drawn np for recommends that compreits executive board today.

Any delay in resolving the present value hasis to argues.

with the rate of expansion years, with the country accelerating gradually to 5 per cent a year by the end of external shocks for a the decade. But this steady recovery from the financial crisis of 1994-95 "depends

Mexico. banking crisis could raise issue is not resolved, it could significantly the costs to tax- set off a "vicious cycle of a should be avoided. payers, the report says. The renewed rise in inflation and fiscal costs of bank and interest rates, declining ment lobby groups have debtor support could rise investor confidence, and a argued that the Bank's stratfrom around 10 per cent of narrowing of access to for- egy devotes insufficient

World Bank staff axpect growth would then stagnate access to education, land the Mexican economy to at around 2 per cent a year and credit.

and for the large of the first of the experience of the first of the f

grow 3 per cent this year, over the next two or three remaining vulnerable to protracted period.

The draft calls for quicker action on problem banks. bank mergers and the disposal of bad loans acquired by the government. It also hensive deposit protection However, if the banking should he phased out and that new anbsidy schemes

Several Mexican developnational income on a net eign capital", the document attention to poverty relief and especially the difficul-It predicts that economic ties women face in gaining

Alan Greenspan, put it in a in not producing a hurst of less widely quoted passage rising wage costs. An unemof his now infamous speech ployment rate of around 5.3 on monetary policy two per cent, the average for the weeks ago, the central bank second half of this year, is

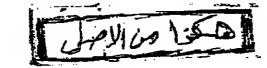
judgment on the likely

course of inflation in the

next year or so is now much

more difficult than at any

stage in the last few years.



# Dexia, the European banking group born out of the merger of Crédit Local de France and Crédit Communal de Belgique.

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- Crédit Communal de Belgique, a leading bank in the local government sector, Belgium's leading retail bank and the majority shareholder of the Banque Internationale à Luxembourg.

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The European banking group, the leader in financing public services, has been born.

### A solid group, involved with its partners.

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# A group which finances the living environment with nearly USD 20 billion in new loans each year.

Public transport, motorway infrastructure, facilities for education, health, telecommunication, environmental protection, power supply, home improvement - needs are considerable the world over. Dexia, specialized in financing community facilities and in financial services for public administrations, will be seeking to develop all branches of the banking profession in order to offer the best-adapted banking products and services to its clients throughout the world.





WORLD TRADE NEWS DIGEST

# **US** modified maize 'is safe'

Three European Union scientific committees have advised that genetically modified maize is safe, clearing the way for the Commission to approve its sale tomorrow. The advice allows Mrs Ritt Bjerregaard, European commissioner for the environment, to propose approval of the maize in the EU. The only condition advised by the scientists is that member states should monitor what effect the maize has on the resistance of insects to herbicides.

However, EU officials said a decision to approve the maize could still be blocked. "The scientists have done their work. Now its down to politics," said one. The Commission delayed a decision earlier this year because of increased public sensitivity in the EU over food safety in the wake of the mad cow crisis.

A positive decision would ease tensions between Brussels and Washington. The US has grown increasingly frustrated over the drawn ont decision-making process in

The maize was genetically modified by Ciba Geigy, the Swiss chemicals company, to be resistant to the European corn borer pest. Environmental and consumer groups argue that the antiblotic resistant gene in the maize could be transferred to bacteria in animals and humans.

They also argue the maize could lead to the development of a new strain of insects resistant to some Caroline Southey, Brussel:

### Japan to cut whisky tax

The Japanese government has decided to lower the tax on whisky by 58 per cent from next October and raise that on the national drink, shochu, by between 1.6 and 2.4 times over five years in order to comply with a ruling by the World Trade Organisation, the ministry of finance said

The plan, approved by the government yesterday, is expected to be accepted by the EU, the US and Canada within the next few days and to end years of frictioo over Japan's liquor tax system.

The three countries referred Japan's liquor tax system to the WTO, which ruled this summer that Japan's liquor tax regime discriminates against foreign spirits such as whisky and cognac. Japan was told that it should reduce the differences between taxes on these spirits and shochu

### Thailand puts off tariff cuts

The That government has decided to postpone tariff cuts on certain petrochemical products, especially those related to the plastics sector, for at least a year, officials said yesterday. Tariffs of 30 per cent on polyethylene, polypropylene, polyvinyl chloride, polystyrene and acrylonitrile butadiene styrene will remain in place until the beginning of 1998. These tariffs were originally scheduled to be cut to 20 per cent in January.

Since announcing a package of tariff cuts in late 1994. Thailand has scaled back its ambitions on many raw materials whose industries are just starting up in the Ted Bardacke, Bangkok

### UK loan for Vietnam plant

Commoowealth Development Corporation (CDC), the UK's overseas development finance organisation, is expected today to sign a \$15m loan for a sugar project in Vietnam, its first investment in the country. The eight-year lean is to finance Sucrerie Bourbon de Tay Ninh, a \$95m joint venture sugar refinery in Tay Ninh province, oorth of Ho Chi Minh City.

The partners in the venture are Reunion-based Groupe Sociétés de Bourbon, and local partners Tanisugar and Vinasugar II. About \$42m will be lent by World Bank affiliate the International Finance Corporation, which is already involved in about 10 projects in Vietnam.

The plant would be operational by January 1998 and will produce 100,000 tonnes of refined sugar a year, as well as 44,000 tonnes of molasses. Jeremy Grant, Hanoi

### Bertelsmann in China venture

Bertelsmann, the German media group, and Shanghai Scientific & Technical Publishers have signed a letter of intent to establish a publishing company in China. The joint venture, in which Bertelsmann will hold 49 per cent and have operational cootrol, will be based in Shanghai and will initially concentrate on technical and scientific books. A magazine publishing operation, to be overseen by Bertelsmann's subsidiary Gruner + Jahr, is also

The joint venture is the first such co-operation between a Chinese and a foreign company, according to

### Renault signs Iran cars deal

Renault said yesterday it had signed an agreement with the Iranian carmaker Kish Khodro to deliver parts for a new Iranian multi-purpose vehicle scheduled to go into production in 1998. Renault said that the agreement entailed the delivery of parts from the Megane car collection, including 1.6 litre engines and gearboxes.

Kish Khodro is 51 per cent owned by private Iranian investors, 40 per cent by an Iranian state bank, with the rest in the hands of a British engineering group, BMS Management, which designed the vehicle.

### Efta in Palestinian accord

The four members of the European Free Trade Association (Effa) yesterday signed a trade co-operation agreement with the Palestine Liberation Organisation (PLO) intended to pave the way for a free trade deal with the Palestinian Authority. The agreement also provides for a continuation of the preferential terms for two-way trade that existed during Israeli occupation of the Palestinian self-rule areas, under Efta's free trade pact with Israel.

Efta, whose members are Norway, Switzerland, Iceland and Liechtenstein, also has free trade agreements with Turkey and 10 central and eastern European countries, and co-operation agreements with Morocco, Tunisia and Frances Williams, Geneva

# Spanish carmakers gloomy on exports

Saturated car markets in Europe are threatening Spain's export performance and growth prospects for its motor industry, the motor manufacturers' association Anfac warned yesterday.

exports this year were expected to show only a fractional rise of 0.13 per cent to 1.54m per cent last year. This stagnation marks a break in the European Union countries.

growth trend of Spanish car rupted only in the recession mance of car companies in of 1992-93.

by multinational groups in Spain, the EU's third largest Spain will show a drop of just over 1 per cent to 1.94m for the year, according to The association said car Anfac forecasts. Mr Luis Valero, the association's new managing director, blamed of its export revenues from the trend oo the Spanish units after an increase of 14 industry's overwhelming dependence on sales to other

Germany and France, the As a result, output of cars two principal EU producers. producer, is far more dependent on exports than its rivals, sending almost 80 per cent of its output abroad and obtaining almost a quarter

> vehicles and components. The likelihood of any new carmaking facilities being located in Spain was called

The trend contrasts with into question by Mr Juan tions in Spain have recov-

Opel España and Aniac president. Instead, manufacturers would concentrate their investments on improving the efficiency of existing plants in the face of competition from countries such as Korea, he predicted.

"I very much doubt if new factories and new manufacturers will be established in Spain," he said. Although new car registra-

cent to about 904,000, Mr Sanz said this was still not satisfactory" for manufacturers. The industry is pressing for a reduction in registration taxes to rectify the balance between domestic sales

and exports. Anfac estimates there is room for a 30 per cent market. This year's improvement followed an 8.3 per almost 53 per cent.

exports, previously inter-the improved export perfor-rupted only in the recession mance of car companies in General Motors' subsidiary expected increase of 8.3 per 1.1m in 1989. Next year is expected to see a moderate growth to sales of about

920,000 cars. Overall figures for the motor industry show an expected 3.4 per cent increase in vehicle production and a 5.8 per cent rise in exports. In sharp contrast with the trend for cars. increase in the domestic exports of heavy vehicles are expected to increase by

# The not so rough guide to the road

Haig Simonian on in-car info about where to eat and sleep

urope's motorists will soon be able to plan their routes, check ont the sights and even compare hotels and restaurants without taking their hands

Navigation Technologies (NavTech), a US database and software house specialising in digital road-mapping. has signed an unprecedented deal with Michelin, the tyremaker which is as well known for its tourist guides, to incorporate information from Michelin's famous red tourist guides on the digital road maps it is making for in-car navigation systems.

The deal marks the first time a digital, navigable map will be enhanced with "valne-added" information from a leading outside source. Such agreements may become commonplace as incar navigation systems gain acceptance among motorists and demand rises for not just route guidance but additional information.

The first of the new maps, incorporating Michelin's red guide to France, will be available from early next year for use on the navigation hardware made by TECmobility, part of Fiat's Magneti Marelli subsidiary. "Our new CD-Roms have enough room for a sizeable map and a point of interest database. like a tourist guide," says Mr Kevin Harris, Magneti Marelli's UK product manager.

However, Mr Ian Martin, NavTech's sales and marketing director, expects versions for other hardware manufacturers' in-car navigation systems soon. NavTech and Tele Atlas,

its arch-rival, are racing to complets digital, navigable maps of Europe's main roads and cities. The mapping is largely complete and the CD-Roms produced so far contain extensive information about roads, public buildings and entertainment facilities. However,



The dashboard tourist guide: value added navigation

added" of a guide book. NavTech has signed up Varta, publisher of the bestknown German hotel guide, and the UK Antomobile Association, to provide tourist information for future digital maps, according to Mr Martin. Talks were also under way with the Italian ing publishers of tourist

information, he said. Eventually, digital maps on CD-Rom could augment gyroscopes, it is checked the information in printed guide books by providing maps on CD-Roms and propictures of hotels and interiors of rooms or restaurants.

The market for maps on CD-Rom - some of which, like TECmobility's, can also be used on home computers and car navigation systems is expected to surge as more carmakers and electronics companies enter the field. The business in Europe has been pioneered by BMW

and Mercedes-Benz, which have offered Philips and Bosch in-car navigation systems respectively in their top models.

The systems work by plotting a car's location against so-called global positioning system (GPS) satellites used for navigation by ships and Touring Club and other lead- aircraft. Once the location is confirmed via a satellite receiver and various on-board devices, including against digitalised road cessed by an on-board com-

puter, usually in the boot. Motorists tap their destination into a dashboard monitor. Using the satellite receiver and the compact discs, the system tells the driver which way to go, usually via voice-synthesised sages such as "turn left

main cities and motorways in Europe and the US have mostly from Japan. Howbeen mapped, on-board navigation systems still have to make a significant commercial impact. Such technology has, however, already proved extremely popular in Japan, with expected sales of

900,000 in-car navigation systems this year. Software and database honses, such as NavTech. say the main barriers to wider consumer acceptance have been the relatively high price of existing hardware and the absence of more "value added" information, such as is evailable in a traditional guide book, on the CD-Roms. Demand has also been restricted by a lack

of common standards, Hardwara prices have already started to fall as have entered the market.

already make systems, ever, the number of European manufacturers is now rising sharply.

Mr Martin said he expected NavTech, which is working closely with Germany's Bertelsmann group, to sign up more tourist publishers soon. The enhanced digital maps would be more expensive than the current series, which cost about £120 (\$199) for a basic CD and an update. However, he claimed. the new products offered fair value for money in view of the additional information

Prices have also been kept down because many publishers have opted for a share of revenues, rather than upfront fees, and were willing to forsake immediate profits to break into on-board navigation, which they saw as a More than 20 manufacturers growth market, he said.

# **Bolivia link to** Mercosur hit by last-minute hitch

By Geoff Dyer in Fortaleza

Officials of Mercosur, the four-nation Latin American trade grouping, were yesterday attempting to salvage an agreement to extend associate membership to Bolivia.

The agreement, due to be signed today by the Mercosur members - Brazil. Argentina, Paraguay and Uruguay - had been planned two-day heads of state meet-

However, objections raised by Argentina about Bolivian wheat tariffs, which were to have been on a list of exceptional items for 10 years, have threatened to delay the

If a deal is signed by the heads of state tomorrow, it is unlikely to implemented by January as planned because it will take longer than expected to get legislative

approval. Officials also reported yesterday that slow progress was being made on key discussions about competiting policy in Mercosur, on protection for struggling industries and on reducing tariffs .

One of the sticking points in the negotiations has been the subsidies offered by individual Brazilian states to attract foreign investment. Bolivia's status in Merco-

of Chile, which signed an

associate membership agree-

ment in June. Full member-

ship for Chile has been ruled

of the difficulty of reconciling Mercosur's varied exteroal tariff with Chile's lower and uniform 11 per cent import duty.

Bolivian president Mr Gonzalo Sanchez de Lozada has been eager to pursue an agreement with Mercosur. despite strong opposition from some local business-The government men. argues that Mercosur is the as the centrepiece of a best way to attract investment and technology.

Membership of Mercosur would also cement its partnership with Brazil, with which it is involved in a \$1.8hn project to build a gas pipeline. Mercosur is sepa rstely conducting talks with the Andean Community trading group, which includes Ecuador, Peru. Colombia and Venezuela, as well as Bolivia.

Mercosur members have reached agreement on other issues which will deepen the level of integration between member etates. These include the opening of air transport in the four countries between 29 regional airports, reducing bureaucracy at customs and the establish ment of a budget for the Mercosur secretariat, which is based in Montevideo, the capital of Uruguay.

Brazil chose the northeastern city of Fortaleza for the summit to try to emphasur would be similar to that sise that the benefits of the Mercosur free-trade agreement were not just felt in the south of the country, which borders the three out for the moment because other member nations.

### INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

Long Jean-ser Kata 8.2 5.12 5.35 11.5 4.15 4.84 6.49 6.82 7.87 9.39 3.43 13.5 11.8 3.61 3.43 3.60 3.21 2.95 2.76 2.86 2.81 6.46 6.90 8.66 8.42 7.80 6.47 6.86 6.82 5.31 7.62 7.21 4.28 2.63 2.12 1.12 0.48 0.65 0.75 1.00 0.87 0.76 0.86 10.8 8.5 2.0 -0.4 1.4 2.9 3.2 2.38 2.21 2.16 2.20 12.9 15.5 15.7 13.4 0.43 0.49 0.49 0.51 2.88 6.16 3.24 3.11 0.81 0.76 0.72 0.75 4.9 9.5 10.5 10.8 6.32 6.17 6.47 6.34 2.02 1.88 1.87 1.81 4th qtr.1900 1st qtr.1900 3.2 3.1 3.8 3.5 5.63 5.42 5.15 5.31 5.38 5.39 5.48 5.53 5.42 5.52 5.43 5.41 5.71 5.64 5.81 6.26 6.50 6.72 6.90 6.85 6.62 6.82 6.54 6.16 2.24 2.26 2.17 2.19 2.20 2.19 2.17 2.25 2.19 2.16 2.08 2.00 12.8 14.7 15.7 15.1 15.8 15.5 16.3 14.3 13.8 12.2 3.2 8.1 2.8 3.1 3.0 3.3 3.8 3.7 3.7 3.5 3.7 0.42 0.45 0.50 0.51 0.49 0.52 0.46 0.55 0.53 0.43 0.43 2.86 3.10 3.16 3.18 3.23 3.28 3.19 3.27 3.14 2.91 2.75 2.82 0.77 0.75 0.75 0.77 0.71 0.72 0.71 0.74 0.76 0.76 0.76 6.3 6.7 10.6 10.6 10.4 10.4 11.3 10.6 10.3 12.0 3.94 6.62 3.35 6.36 3.33 3.29 3.38 3.29 6.12 3.12 3.19 6.07 5.90 6.19 6.44 6.39 9.45 6.57 6.48 6.30 6.23 8.00 5.86 1.97 1.88 1.86 1.91 1.88 1.87 1.84 1.86 1.81 1.78 1.73 1.69 2.5 3.7 5.8 6.7 7.1 7.5 7.2 7.8 8.2 7.8 8.3

	R FRANCE					R ITALY					M UNITED KINGDOM				
	Marrow Meany (MT)	Broad Moony (NS)	Short Interest Rate	Ling Interest Page	Heroter Married Tietal	Meney (Art)	Breed Manay (MC)	Short Interest. Pade	Long Interest Rate	Equity Mortest Yield	Heavy Meavy SAC)	Bread Money (849)	Short Interest Rate	Long Interest Rate	Espelly Market Yield
1985	6.9	8,4	7.79	8.36	2,65	10.5	8.4	13.25	11,47	1.41	4.0	15.4	11.02	10.21	4.35 3.60 4.48
1967	4.1	11.5	8.63	9.45	2.75	10.4	9.8	11.32	10.58	1.94	4.7	15.2	9.77	6.69	3.80
1968	3.9	B.3	7.94	<b>9.08</b>	3,69	. 7.8	8.5	11.24	10.54	2.71	. 6.8	17.8	10.41	9.62	44
1989	7.5	10.0	9.40	6.79	2.88	7.1	6.3	12.42	11.61	2.46	5.8	17.8	13.96	10.11	4.36
1990	3.8	9.3	10.32	9.92	6.19	9.3	10.1	11.96	11.87	2.84	5.3	16.1	14.82	11.56	- 5.07
1991	-4.9	2.4	9.62	9.03	3.58	7.3	8.5	11,83	13.20	3.45	2.4	7.8	11.58	10.06	4.97
1992	-0.2	5.4	10.36	8.57	3,56	6.9	. 7.7	13.86	13.29	3.63	2.4	5.1	9.74	9.09	4.91
1993	1.8	-22	8.55	6.75	3.21	.4.7	7.4	10.22	11.23	2.35	4.9	3.5	5.99		4.01
1994	2.9	0.7	5.84	7.21	2.99	.6.6	5.1	8.45	10.56	1.67	6.4	5.0	5.57	7.40	
1995	8,4	4.7	6.80	7.53	3.17	0.2	0.4	10.38	12.22	1.72	5.9	7.2	6.77	8.01 8.19	3.94 4.15
4th qtr.1995	6.4	4.7	6,14	7.10	6.25	0.5	1.8	10,60	11.59	1.77	5.5	9,4	6.71	. 7.77	4.04
1st qtr.1996	7.5	3.3	4.47	6.55	3.10	-0.8	2.5	9.88	10.57	1.74	5.7	10.1	6.28	7.72	4.15
2nd qtr.1995	7.1	1.0	6.95	<b>e.</b> 51	3,02	<b>-0.7</b>	3.6	6.01	9.89	2.24	6.6	9.9	6.06	8.06	4.08
3rd qtr.1996	5.2	-0.8	3.86	5.35	3.10	1.4	4.1	6.59	9.38	2.49	7.2	9.4	5.83	7.85	4,16
December 1995	8,4	4.7	6.60	6.76	3.23	1.3	2.5	10.51	11.16	174	5.9	6.8	8.57	7.46	4.04
January 1996	5.3	4.0	4.70	6.44	3.08	0.4	2.6	10.01	10.47	1.66	5.4	10.5	6.45	7.41	4.18
February	4.3	3.0	4.42	6.58	3.11-	12 .	2.4	9.84	10.54	1.67	6.2	10.0	6.24	7.72	4.06
March	7.5	3.3	4.27	6.64 .	3.10	-1.8	2.3	9.80	10.71	1.90	5.6	9.8	6.14	8.05	4.19
April	4.2	1.9	4.00	6.51	3.02	-1,8	2.8	9.52	10.35	2.14	5.8	10.0	6.00	8.05	4.02
May	5.8	1.8	. 6.90	6.46	3.01	0.5	3.8	8.84	6.72	2.25	6.4	9.9	6.12	8.09	4.08
June	7.1	1.0	- 3.98	6.56	3,02	. 0.2	4.4	8.85	9.50	2.33	7.5	9.8	5.94	8.05	4.15
July	4.4	0.2	3.84	6.46	3.16	. 0.6	4.3	. 6.66	9.45	2.46	7.1	9.0	5.80		4.21
August	5.8	` <b>–</b> 0.1 ∙	3.98	6.35	3.20	1.8	4.4	6.70	9.50	2.48	7.5	9.4		7.81	
September	5.2	-0.5	3.75	6.24	3.13	1.9	3.7	8.39	9.19	2.53	7.0	9.9	5.84	7.82	4,12
October	5.5	-0.4	3.51	5.97	3.00	. 3.2 .	3.5	7.98	8.34	233	7.4		5.87	7.81	4.06
November	1		3.47	· S.84	2.90	-		7.39	7.72	2.28	7.5	10.3	6.02 9.40	7.51 7.56	3.93

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All grow searchly adjusted series except for Japen and tests, German monetary statistics now form a continuous pen-German sedes. Monetary data supplied by the form control bank courses, letterest rates: short-term, period everages of US = 90-day commercial paper, Japen = 3-month certificates of deposit, German France = 3-month Pipor, lasty = 3-month certificates of deposit, German France = 3-month Pipor, lasty = 3-month certificates of deposit, German France = 3-month Pipor, lasty = 3-month certificates of deposit, German Pipor, lasty = 3-month certificates of deposit, German

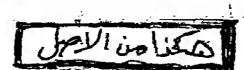
# Swindle, cheat and murder your way through Christmas.

'Collateral Damage' starts on Saturday, December 21.

On December 21, the Financial Times begins an exclusive five-part serialisation of a new thriller by Peter Tasker, the acclaimed mystery writer. Follow the clues as the story weaves a complex and intriguing web across several continents. and guess at the final twist in the tale.

Readers will be invited to pit their wits against the author to better his final line and win a hand-picked FT hamper. The

Financial Times. World Business Newspaper. FT at Christmas, It would be a crime to miss it.



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FINANCIAL TIMES TUESDAY DECEMBER 17 1996

SESSION OF THE NETWORK IS THE COMPUTER™

our way

21

Market intends to remain independent and become European centre of energy trading

# Petroleum exchange scorns Liffe merger

By Simon Holberton in London

The International Petroleum Exchange has rehuffed suggestions that It might merge with the London International Financial Futures Exchange. It plans to remain independent and become the centre of energy trading in

Liffe is the one of the world's top five futures exchanges. It took over speculation which has been unwelthe London Commodity Exchange in September. The IPE was surprised when Mr Jack Wlgglesworth, chairman of Liffe, said itself as the leading exchange spe-

A meeting last week of the IPE's board determined that it was the membership that the IPE remain

Jones, the IPE's chief executive. about Liffe taking over the IPE, come to Liffe as it has to the IPE." he said. The board had also decided that the exchange should position

nated by Brent crude oil and gas "clear and strong view" of the oil trading. At the end of next independent, said Mr Lynton contract for gas.

It hopes to expand gas trading gas interconnector with mainland Europe comes ashore at Buckton in north-east England.

to take advantage of the coming advise the exchange on the sector's The exchange's husiness is domi-deregulation of European energy markets.

It would also look at developing month it will introduce a futures its core areas, such as futures and options contracts for petrol and heavy crude oil Mr Jones said "The group thought that this opportunities towards the end of that, with the deregulation of the would put an end to speculation next year with e Buckton contract electricity supply in 1998, there which it hopes will develop into a might be opportunities for the IPE European gas futures contract. The to introduce financial instruments for the trading of electricity.

As part of a strategic reappraisal the IPE will create a group, drawn Mr Jones said the exchange from those among the energy

recently that the IPE was a poten-tial takeover target for Liffe. contracts. hoped to develop a product range industry which use the market, to to take advantage of the coming advise the exchange on the sector's developments and future product needs.

It also decided to expand screenbased trading, to extend trading hours and resolved that new contracts would be traded electronically rather than on the floor of the exchange.

The IPE, which has a membership of 45, has an annual turnover of about \$338.7bm; Brent crude oil contacts amount to \$236.9bn.

Fund

dealing

offered

on Net

By Nicholas Denton

Flemings, the UK invest-

mant banking and fund

management group, has decided to enable retail

customers to deal in its

The company said it

would permit clients to open an account over the Internet

and thereafter buy, sell or

switch between 28 equity

funds and five money-

market funds in its Flagship

A prospective client must

apply on paper to deal on-line and receive a credit limit. The user can then make or unwind invest-

ments without the need for

voice or written communica-

Of the 3,600 independent

financial advisers who act

as intermediaries between Flemings and individual

investors, the fund management company esti-

mates that 70 per cent

have access to the Inter-

In the financial services

sector, the Internet's first significant impact has been in discount retail stockbrok-

ing. K\*Trade, a four-year-old US venture which offers

only an electronic service.

has undercut traditional

brokers by charging \$14.95

More recently, US invest-

ment banks have begun

delivering research over the

Internet to institutional cli-

One of these, Montgomery

The fund management

per trade.

investors

funds over the Internet.

Market Report, Page 26

# **OECD** urges cut in state borrowing

By Graham Bowley, Economics Staff

The UK is set to enjoy tts best period of sustained growth and low inflation for 30 years, the Organisation for Economic Co-operation and Development says in its latest report on the country.

But it calls for \*significant further progress" to cut borrowing if the government is to achieve its target of bringing the public-sector borrowing requirement into balance in the coming years.

The organisation, which acts as a free-market thinktank for industrialised nations, says that GDP growth is set to strengthen next year, helped hy stronger consumer spending and a pick-up in investment.

The OECD predicts GDP growth of 3.3 per cent in 1997 and 3 per cent in 1998. This would be faster than in the US, Japan, Germany, France and Italy. The report says only Canade among the Group of Seven - consisting of the world's leading industrialised nations - is forecast to achieve faster growth.

By Robert Pestor

and George Parker

Mr John Major, the prime

minister, conceded yesterday

that the UK's relationship

elected in the general elec-

Reporting to the House of

Commons on the EU summit

in Duhlin, Mr Major said

that choices to be made next

June on a revised EU treaty

"will determine not only the

success and stability of

Britain's relationship with

This was seized on hy

Eurosceptic backbenchers in

his party as a sign that Mr

Major would be prepared to

contemplate leaving the EU

if it moved towards federal-

ism. However, close col-

leagues of the prime minis-

By Charles Batchelor,

Transport Correspondent

Passenger trains through the

Channel tunnel between

England and France have

been running at well below

capacity, but Eurotunnel and Eurostar say they are

pleased with levels of busi-

ness since services resumed

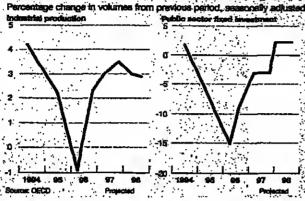
after the recent fire. Euro-

tunnel is the tunnel operator

and Eurostar runs the pas-

ter said this was the wrong

GDP to grow faster than in US and Germany



Major was signalling that be aim would be to preserve the no longer opposes in princibenefits the UK now receives

kicking against the aspira- to pressure from farmers

tions of other members for and Northern Ireland MPe

for "flexibility" in the EU's on British beef exports.

that the UK would retain its as heing free of BSE, or

tives by other countries to tha herds are in Northern

cast to fall to below 7 per cent of the labour force in eight years.

But this would not be low enough to fuel wage pres-sures since it would still be ahove its long-term structural rate, which the OECD predicts will decline to 6.5

no longer opposes in princi-

ple the notion that the UK

should withdraw to tha

fringe of Europa's future

development. He was giving

with the European Union his blessing to the creation in free trade." said an influ-

move farther down the road

"We cannot be perma-

nently cast in the role of

closer links," said a senior

member of the government.

Mr Major believes he initi-

future development with a

speech made two years ago.

The concept has recently

been sponsored by the

French and German govern-

He made clear yesterday

veto over any specific initia-

over half the normal

monthly revenues of £45m,

Eurotunnel's insurers are

already making payments to the company under this pol-

icy, the company said. Its

own direct exposure is lim-

to political integration.

was likely to change funda- of a new flexible structure ential minister.

mentally next year if the for the EU, which would

Europe as a whole, but ated the debate on the need

interpretation. Instead, Mr move closer together. The Ireland.

UK unemployment is fore- sures are likely to remain reforms and a stable macrounder control and that inflation will be helow 2.5 per 1998 - its lowest level in cent, the upper limit of the government'a target range, in each of the next two

> It says wage growth has been "remarkably low" and that productivity growth is

per cent. "To date these are the The OECD takes a rosy most tangihle signs of the

from EU membership.

so that our only interest was

Mr Major's statement

parties. Mr Donglas Hogg.

agriculture minister, bowed

and ordered the eelective

cull of about 100,000 extra

cattle in an attempt to per-

suade the EU to lift its ban

Mr Hogg eaid the cull would cost around £150m

(\$246m) and could be com-

pleted within six months. He

hopes it may lead to an even-

tual lifting of the ban on

exports from herds certified

"mad cow disease". Many of

economic policy framework" the report says.

mance can be echieved, according to the OECD, with only a small rise in base rates in the second half of next year "to lock in low inflation levels".

It predicts that short-term interest rates will rise to about 6.25 per cent in the view of monetary conditions, positive benefits of past and second half of 1997 and next year following a 13.6 predicting that price pres- ongoing microeconomic remain there through 1998.

But while private-sector investment will gather pace The good inflation perforthe OECD predicts that public-sector investment will

fall sharply. Only some of this decline will be offset by private-sector investment administered under the privata finance initiative.

· It predicts public investment will fall by 4.6 per cent

# Premier says nation's Veto threatened EU status may change over fish quotas

By George Parker, Political Correspondent

Thera is no way we are The government yesterday going to move the clock back set out proposals for fundamental changes to the European Union's Common Fisherias Policy in an attempt to defuse fierce criti-cism from Northern Ireland again dominated the battle MPs and Eurosceptics in the between the British political governing Conservative

Mr Tony Baldry, fisheries minister, said Britain would press for an end to the so-called "Hague Preference" agreement under which Northern Ireland fishermen have recently lost fish quotas to their counterparts in the Republic of Ireland. He insisted that Britain would veto any deal at the

EU's intergovernmental conference until the practice of 'quota hopping" - whereby about 150 Spanish and Dutch boats operate against British quotas - is stamped out. Mr Baldry, opening the annual House of Commons fisheries debate, also called for a decentralisation of the CFP so that quotas could be decided at a local level by regional fisheries commit-

"Tha CFP is overbureaucratic, it has failed to protect fish stocks sustainaabove all - it is not fair to British fishermen," ha said. Mr Baldry's main concern

Securities, plans to measure the popularity on the Interin last night'e debate was to reassure MPs in the Ulster net of different reports Unionist party, the largest and reward its analysts anti-nationalist party in accordingly. Northern Ireland, that he was tackling the concerns of industry in Europe, after lagging behind, is now maktheir local fishing industry. announced ing more use of electronic international quota swap which would primarily bene-

sengers on trains every day since it restarted its car shuttle service last Tuesday.

communications. Fidelity Investments, the fit the Northern Ireland US fund manager, offers clients and intermediaries in industry. Despite the prevailing air Europe on-line access to valof gloom hanging over the uations for all its products, British fishing industry, alheit only to . users

Mr Baldry said there were who install special softsigns that the fortunes of the ware on their personal national fleet were improv-Flamings' Luxembourg husiness, which runs the pan-European funds, first Channel tunnel revenues at half normal began posting performance data on funds on the Inter-

net last year. By reducing printing and postage costs by about onethird and generating about 150 sales leads a month, the move improved monthly operating profits by about

£20,000 (\$32,800). Electronic Share Information, the UK venture which designed Flemings' new dealing cervice, itself provides prices on about 2,600 unit trusts as well as individual securities hnt has generated little more than 1,000 on-line transactions in a year of

### UK NEWS DIGEST

# Murdoch TV row deepens

The Cable Communications Association may challenge in court yesterday's Office of Fair Trading decision to approve a new pricing structure for the industry. The OFT enraged cable operators by accepting a new rate card proposed by British Sky Broadcasting, the satellite television venture in which Mr Ropert Murdoch's media con-

glomerate has the biggest stake.

The rate card controls what BSkyS is able to charge the cable companies for its television channels and thus affects what cable operators charge their customers. The cable industry is also considering complaining to the European Commission because of what it sees as anticompetitive behaviour by BSkyB. The increasingly bitter row between BSkyB and the cable companies which are, in effect, retailers of its services to households without satellite dishes, stems from BSkyB's terms of trade.

Earlier this year, the OFT cleared BSkyB of abusing its market dominance but sought a series of informal undertakings and asked BSkyB to produce a new ratecard. The BSkyB share price rose by 13 pence yesterday to 438% pence in London yesterday. Raymond Snoo

### **M** CABLE BROADCASTERS

### BBC in talks on new channels

The BBC, the public service broadcasting organisation, is in talks with the cable industry on the possibility of offering eight new television channels to cable operators on an

The channels are being planned as part of a joint venture with Flextech, the cable and satellite programme company controlled by TCI, the largest cable operator in

A deal with Flextech and a related agreement with Dis-covery, the documentary channel in which TCI has a 49: per cent stake, are on course to be completed by the turn of the year. BBC executives say that negotiations are

The BBC has also been exploring a possible deal with British Sky Broadcasting. BSkyB has a particular desire to attract the BBC channels as part of its strategy to aunch up to 200 channels of digital satellite television in the UK before the end of next year. Editorial Comment. Page 17

### ARREST WARRANT

### Barred executive avoids court

A warrant has been issued for the arrest of Mr Roger Levitt, the former life insurance executive convicted of fraud, who has been living in New York for the past few mouths while under investigation by the British government's Department of Trade and Industry,

Mr Levitt, who has been disqualified from acting as a director, failed to appear in a London court yesterday to answer charges of being a "shadow director" of a boxing

The court agreed to a request from a government law-yer for a warrant without beil. This allows Mr Levitt to be taken into custody immediately, if apprehended, In 1993 Mr Levitt was disqualified from acting as a director for seven years after his insurance company, Lev-

itt Group, collapsed in 1990 with debts of £38m. His sentence to 180 hours of community service in connection with the fraud sparked outrage in the City of London, particularly when Mr Levitt was photographed sipping champagne to celebrate the sentence.

A DTI spokesman last night said it is unclear whether

Af Levitt could be extradited to Britain in connection with the charges.

### AIR DEFENCE

### 'Virtual reality' bomber study

The defence ministry is to launch a £35m (\$57.4m) study into the replacement for the Royal Air Force's Tornado bombers, which are due to leave service in 2015. One option to be examined by the ministry is a pilotless aircraft, which would be "flown" with a virtual reality cockpit by pilots from command aircraft in airspace safe from

The pilotless aircraft could be much lighter without the crew's life-support system and would also be more manosuvrable, as the limits of the human body, rather than aircraft design, constrain the performance of modern

### **CULTURE**

### Sector employs nearly 500,000

The UK cultural sector employs nearly 500,000 people – or twice as many as vehicle manufacturing, says the Policy Studies Institute. Consumer expenditure on the sector in 1993/94 totalled £5bn (\$8.2bn) or 5 per cent of average fam-

Within that "high culture" – or the part of the market which appears to need subsidy to survive – accounted for 22.25bn, employing some 125,000 people, collecting on the way 21.7bn of support from government, municipal anthorities, business, charities and volunteers. in that year, there were as many visitors to museums,

galleries and historic properties as there were to the cinema - while London theatres attracted audiences at least as large as those won by Premier League soccer clubs over the season.

### NORTHERN IRELAND

### Explosives found near border

Security forces in Northern Ireland have found explosives in a vehicle abandoned in a field near Roslea, a small town close to the border with the Republic of Ireland, police said yesterday. The vehicle also contained booster tubes, into which explosives are packed before being deto-

### tted to a £7m "excess". The company estimates modified timetable, Eurostar that repairs to the tunnel has been taking between Eurotunnel has insurance cover of £550m (\$900m) for



material damage and loss of will cost £50m at most, while revenues. With the level of replacement of the freight 13,000 and 15,000 telephone cars with accompanying pas bookings a day for journeys in January and February. It services bringing in just ebuttle damaged in the fire will cost £10m to £15m. has carried between 55,000 Claims to cover damaged and 60,000 passengers in It is running three trains total since resuming services the company halievee it trucks and their contents could maintain its present may cost £5m, compared lavel of traffic for many with the £180m third party 10 days ago. Eurostar has been given cover taken out by the company. Part of these claims

may he passed on to the insurer of the owner of the truck where the fire started. After initial problems in

priority for its trains hy Eurotunnel and is running 90 per cent of normal services. It hopes to add two extra trains on Fridays from tha end of January to cope with weekend peaks.

every two hours and, after averaging out the husy day-time shuttles and the quieter night time service, it estimates trains are half full. The circumstances of the fire aboard a freight shuttle on November 18 have focused attention on shuttle design although, unlike their freight equivalents, the pes-senger shuttles are enclosed. Eurotunnel said it had been carrying about 3,000

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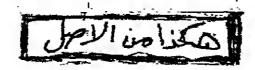
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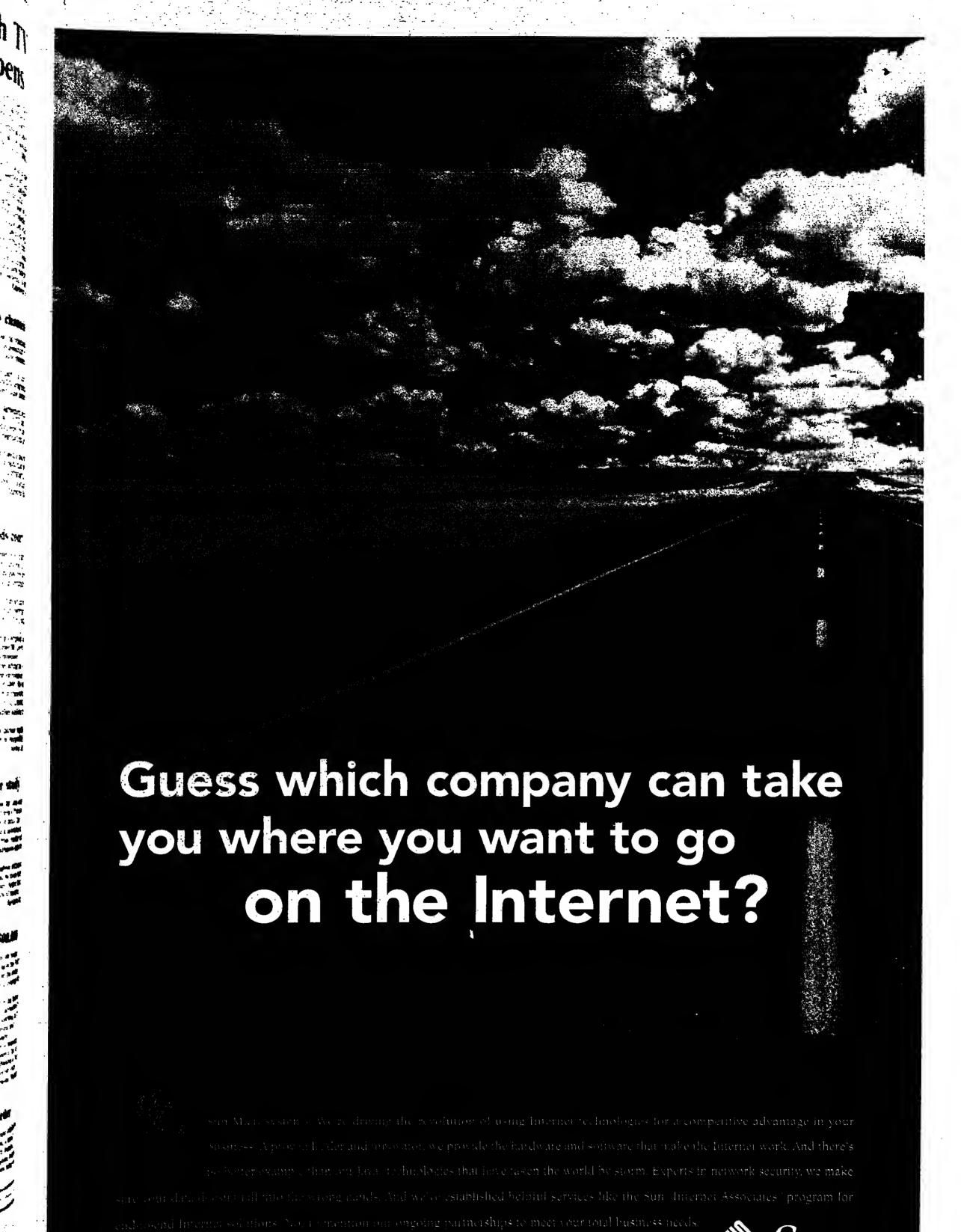
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### TECHNOLOGY

s telecommunications monopolies crumble around the world. policymakers are keen to encourage competition not hist in long-distance services but also in the more difficult area of local networks. New radio technology could help by allowing smaller companies to bypass the copper wires of incumbent operators and offer a richer range of services.

Recent developments in technology could rewrite the competition rules by allowing new operators to install fixed wireless links tbat can reacb users more cheaply and quickly than conventional wireline connections.

The local loop - the copper wires that link bomes and offices to their exchange - has traditionally been one of the most expensive, least profitable portions of the telecommunications network. in rural areas, lines can cost 15 to 30 times as much to install as in

The US, which has bad competing long-distance providers for more than a decade, this year decided to open the local loop to competition by ending the local monopolies of the seven Baby Bells". The European Commission is also keen to encourage

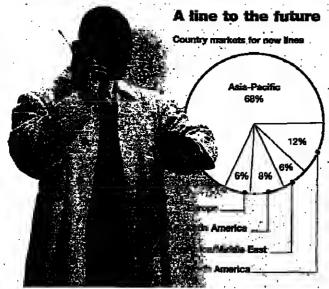
alternative local loop providers. Traditional copper wires can-not easily carry the advanced services that telephone companies want to offer, although researchers bave discovered ways to increase the data-carrying capacity. Optical fibre is ideal for broadband services but is too expensive to stretch to every bome and office.

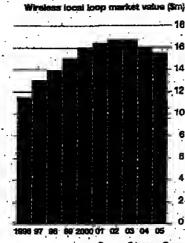
Coaxial cable is a more realistic local loop option. It has greater capacity than copper and extensive coaxial networks exist in countries with cable televi-

It is technically simple to upgrade these cables to carry telephone calls, although TCI Communications, a leading US cable TV company, estimates that it would cost more than \$200 (£122) a home to do so.

Investors bave recently turned against the cable TV companies and their ambitious plans to compete with the Bahy Bells in local telephone services. The economies of scale of "wireline" - copper or cable - local loops strongly favour the incumbent operator. Newcomers must build their networks from scratch and digging streets is costly and time-consuming. Payback times are long and only 25 per cent of the bomes passed will typically switch to the new operator.

Radio has been used to bring telephone services to rural areas for many years. This continues to be the main market for wireless





# Another wave

Radio advances are helping small companies compete in local network telecoms, says Geoff Nairn

ticularly in developing countries, hut analysts believe WLL is an increasingly attractive option for new operators seeking to enter developed markets.

"The cost of entry is much less than digging up roads," saya Adrian May, a consultant with analyst Ovum, which has published a report on WLL. It forecasts the worldwide WLL market will grow from \$11.2bn this year to \$16.5bn in 2001.

lonica, a new UK operator, is building a nationwide network using WLL to provide its local loop. The company says the cost of connecting each bome is just 10 per cent of using wireline con-

Analysts say the cost differential depends on various factors hut accept WLL is generally cbeaper and quicker to install than copper infrastructure.

WLL technology was once basic, with poor voice quality, but today's systems can provide services that are indistinguishable from or better than those of the incumbent wireline operator. Atlantic Telecom is a small UK company that is building a WLL

network for 750,000 potential users in the Strathclyde area of Scotland by the end of next year. A limited service was launched in October and Graham Duncan, the chairman, believes the com-

pany can compete with Britisb

Telecommunications, the domi-

nant operator, by being "feature-

local loop (WLL) technology, par-rich and innovative". Each customer gets two telephone lines as standard. Other benefits include voice mail, portable numbers, local-rate calls within Scotland and, next year, high-speed ISDN access to appeal particularly to

Internet users. Atlantic Telecom was once a cable TV operator but has decided WLL is a more costeffective method of entering the telecommunications market Unlike cable you do not need to

Wireless local loop technology was once basic but can now provide high quality services

pass people who do not want the service," says Duncan, who says it costs the company just £35 to connect each user.

WLL also appeals to established telephone companies that must expand their networks to meet government targets. South Africa is planning to install 1m new telephone lines in the next three years in once-neglected areas such as Soweto. More than 50 per cent could be

realised with WLL, according to Tony Maher, head of access networks for Siemens, the German telecoms equipment maker. Siemens is bidding for this contract with a no-frills WLL system orders," says Ovum's May.

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based on digital cordiess technology, but it is also developing a more advanced technology, called Broadband Code Division Multiple Access (B-CDMA), with US company InterDigital.

This offers better speech quality and higher data transmission rates, but is 30 per cent more expensive than established technologies, says Maher.

"The beautiful thing about B-CDMA is that it can handle raw data hetter," says Mark Lemmo, InterDigital's marketing vice-president. B-CDMA uses its radio bandwidth more efficiently, be says, and is better suited to dense urban areas than earlier WLL systems.

**B-CDMA** allocates bandwidth more efficiently than is the case with earlier wireless systems, so it can handle a range of traffic with different bandwidth requirements, from simple phone calls to high-speed Internet access. There is rapidly growing interest in accessing the Internet using wireless," says Lemmo. InterDigital hopes to demonstrate

its technology early next year. The US companies Lucent, Millicom and Qualcom are working on competing systems and WLL has bacoma a bot sector with investors. But analysts are cautions about these newer technologies. "Can these companies deliver working systems? That is the crucial issue for telephone companies that want to place

Andrew Baxter on an engineer who has helped to improve the quality of cellular networks

# Business built on phone frustration

remembered as the man who liked the product so much, he bought the company. Others become so irritated by a product's performance problems that they build businesses around making them easier to

Nick Randall, for example, was an enthusiastic early user of cellular mobile phones. But he found the experience of poor reception and call "drop-outs" calls cutting out when transferring between adjacent

cells - frustrating. Randall, an engineer and former senior executive in the edical manufacturing sector, was in a better position than most to do something about it. In 1988 ba had bought

Aylesbury-based Airtech, which made multicopplers for the Royal Navy. These allow simultaneous radio transmission over a wide range of UHF is using a single antenna

Randall believed the expertise necessary to build multicouplers - the ability to filter and combine radio frequency (RF) signals - could be developed commercially. From 1989 to 1993 the company concentrated on products and RF subsystems for private mobile radio (PMR) networks, the sort used by police and emergency services.

"This was growing nice and steadily, and we were quite profitable," says Randall, "but we wanted to make the next step, into the cellular market." He created a special team from Airtech's engineers to look at how the company's technology could improve the performance of cellular networks.

The result was the masthead amplifier (MHA), Many base stations suffer from "link imbalance" - they can transmit a strong, clear signal further than they can receive weaker signals returning from the

But an MHA, comprising a particularly sensitive filter and a low noise amplifier which select and boost the received signal, can act as a "liearing aid" for the base station. Installed immediately underneath the antenna, the MHA eliminates link imbalance and extends the reception area coverage.

For the user, the result is improved reception quality and a reduced number of call drop-outs. The service provider gets improved coverage from its existing network, says Randall. or can plan a new network with fewer base stations, reducing infrastructure costs.

Airtech developed a prototype MHA in 1994, and in the same year began a successful trial of the product with the Orange network in the UK.

This was a huge help for Airtech, says Randall: Orange was the first to use the high-frequency 1.8GHz to 1.9GHz range for networks known as

Cellular phone subscribers are expected to soar from 130m to 300m by 2000

PCN or PCS (personal communication networks or services).

These networks have more bandwidth than the older generation, lower frequency (800MHz to 900MHz) GSM: cellular networks, but the signal cannot travel so far - potentially increasing the number of base stations required.

Airtech won its first orders early last year from manufacturers and PCN/PCS service providers in the UK and mainland Europe, and earlier this year established a subsidiary in the US to exploit a market that is predicted to expand rapidly following the recent award of PCS licences.

Airtech is not the only MHA. producer - others include Bricsson, Allgon and Forem but Randall says "we like to feel we were the first to do this". In any case, there looks to be plenty of work to go round. The number of cellular phone

STANIFORTH STEELS LIMITED

subscribers is expected to soar from about 130m worldwide today to 300m by 2000, and MHAs are a cost-effective way to improve coverage, says Randall. On average, six MHAs are sold per base station - one for each antenna - and the whole package with accessories costs

producing 600 MHAs a week year. Total sales this year are likely to be at least £7.5m, including £5.5m to £6m from MHAs and related equipment, and could reach £17.5m next

challenges for Randall and his team. Developing the market by selling to the OEMs (original marketing the idea to the service providers - has gone better than Randall expected.

"There are only 10 main OEM customers worldwide," says Randall, "and we were able to huild on the relationships we had developed in PMR."

however, was more difficult. In some areas, such as the tuning and final testing of MHAs, the necessary skills were underestimated.

The investment in MHA pushed Airtech into the red in 1994 and 1995, and this year lt expects a further loss of about £500,000, before the costs of this antumn's £10m placing on London's Alternative Investment Market

next year, as projected, Airtech will be back in the black, and annual turnover of £100m by the nend of the decade is not unreasonable, says Howard Barrow, financial director.

family of MHA products will have been broadened. Launch of a range of MHAs compatible with existing GSM networks is imminent, while next year should see the arrival of MHA boosters, which amplify the transmitted signal as well as the incoming one.

INSURANCE COMPANIES ACT 1982

AS AMENDED

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Assurance Society applied to the Secretary of
State for Trade and Industry on Ind December
1996 for his approval pursuant to Secrion 44
and Schedule 2C Part II of the Insurance
Companies Act 1987 to transfer to General
Actident Fire and Life Assurance Corporation
PLC. all of its rights and obligations under
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Copies of the Statement of Particular's of the proposed transfer are evailable for important at Colmore Circus, disrumgham B4 6AR - Monday is Priday between 9.00 am to 5.00 per until 3 fst January 1997.

Written representations contouring the transfer may be seat to the Secretary of State for Trade and Industry, Department of Trade and Industry, Insurance Directorate Ic. I Victoria Sovet, London, SW III OET before 28th Pebruary 1997. The Secretary of State will not

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AS A SPECIAL RESOLUTION THAT

the company be wound up voluntarily:
AS AN ORDINARY RESOLUTION
THAT MESSAY O.J. Cleaver and N.C.
Bodden of Enist & Young Cayman Islands,
be and an hereby appointed no Jeint
Lequidators to the Company.

Dated this 10th day of December, 1996

Chancery Division
Companies Court

DATED the 13th December 1996.

In the High Coast of Justice No. 006181 of 1996

IN THE MATTER OF

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CHANCERY DIVISION COMPANIES COURT IN THE MATTER OF

the confirmation of the reduction of the capital of the Company from £21,999,999.54 to £3,320,395.55.

be and are hereby appointed as Joint Laquidance to the Company.

2. THAT the creditors of the Company are required on a before Jesusary 24th, 1997 to sead in their neuros and addresses, and full piriticulars of their debts or claims to the Laquidators in default thereof confinence will be excluded from the benefit of any distribution made before such debts are proved. In the first instance claims should be sent by fax to David Faurelough, Emis & Young, Cryman Islands (fix no. 1-345-949-8493), but a cardinor may be required citter to submit the original claim or says a formal proof of debt in statusory form.

3. THAT pursuants to Section 144 of the Companies Law the Final Extraordinary General Meeting of the Company will be beld on January 27th, 1997 at 10.00 am at the offices of Eron & Young, One Capital Place, Saciden Road, Genege Town, Gend Caystan, Cayman Islands for the purpose of receiving from the Liquidator on second on the winding up of the Company and any explanation thereof.

G.J. Cherrer Pas: 0171 583 3051 Ref: JEG(361 #657499

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order
of the High Court of Justice, Chancery
Division, dated 27th November 1996
confirming the reduction of Share Prenaum,
Account of the above company by £1,244,932
was regarded by the Registers of Companies
on 2nd December 1996.
DATED the 13th December 1996. DATED the 13th December 1996. Ref. RLF

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Petition was on 6 December 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the

221,999,999 54 to £3,230,395,35.

AND NOTICE IS FURCHER OIVEN that the said Petrsion is directed to be board before the Registrar of the Companies Court at the Royal Courts of Justice, Sarand, London WC2A 2LL on 22 Jamestry 1997.

ANY creditor or abstreholder of the said Company dealing to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of bearing in person or by Connecl for that purpose. A copy of the said person will be familished to any such person requiring the sente by the outler mentioned solicitors on payment of the regulated charge for the same.

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o the Fligh Court of Justice No. 006182 of 1996

EN THE MATTER OF THE COMPANIES ACT 1985 NOTICE IS HERBIY GIVEN that the Order of the High Court of Instice, Chancery Division, dated 27th November 1996 confirming the reduction of State Premium Account of the above company by £61,761,338 was reglaced by the Register of Companies on 29th November 1996.

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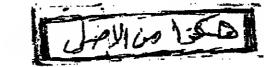
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KPMG Corporate Recovery

BT loses challenge

LAW

rights enjoyed

telecommuni-"telecommunications organisation" subject to the leased

lines directive, the European Court of Justice ruled. BT had challenged the implementation of the direcmeaning of the open networks directive, it should not be subject to the obliga-

tions in tha leased lines It also claimed that even if the UK was entitled to did not give those operators impose those obligations on special or exclusive rights it, the principle of nondiscrimination required the UK also to impose those obligations on all operators

authorised to provide leased Finally. BT argued that the obligation to provide a minimum set of leased lines possessing certain harmonised technical characteristics, infringed the principle of proportionality, since

there was no demand for such services in the UK. Mercury Communications and Kingston-upon-Hull Communications supported

BT's challenge. The High Court referred a number of questions to the Luxembourg Court, It asked wbether the leased lines directive was applicable to "telecommunications organisations" within the meaning of the open networks directive, such that it applied to public or private bodies to which a member state had granted special or exclusiva rights for the provision of a

public telecoms network or

The court was also asked

undertaking or a limited

number of undertakings,

otherwise than by objective,

proportionate and non-

public telecoms services.

to particularise the definition of those rights. The court ruled that special or exclusive rights were generally granted by a member state's anthorities to an

The special discriminatory criteria. Such rights would gener by Britieb
Telecommunications in international telecoms services or persecutive for the services of the servic international telecoms services or networks in the same geograph-

100 public telecoms operators were notified to the **European Commission by** the UK as "telecommunications organisations" under tive in the UK. It argued that the open networks directive as it did not enjoy special or did not mean that the rights exclusive rights within the enjoyed by those undertakings had to be regarded as apecial or exclusiva, but

strong presumption that

However, the licences then

objective nor proportionate nor free from discrimination, and gave it tha exclusive right to operate a public telecoms network in a specific area, it also had special and refinery. He became exclusive rights. The court concluded that a member state was entitled to ■ BOEING CORPORATION

which were the principal operators of telecoms lines in each of the geographical areas of its territory.

cations gave it ical area under substantially - the status of a equivalent conditions.

The fact that more than

still held only by BT and tional lines, were sufficient to constitute the grant of special or exclusive rights.

impose the obligations to has appointed Phil Condit. provide a minimum set of leased lines with defined technical characteristics on only some telecoms organisations. It was also entitled to impose those obligations only on those organisations

C-302/94: R v Secretary of State for Trade and Industry, ex parte British Telecomn

December 12 1996.

BRICK COURT CHAMBERS.

### INTERNATIONAL PEOPLE Yeung, 56, is certainly considered

tough enough for the job. A former

secretary for both transport and

the treesury, he is familiar with

the terrain. Ha has also had expo-

sure to the private sector, as a

director with Sino Land, one of tha

territory's biggest property compa-

Genentech departure

success stories of the US biotech-

Genentech, which unlike most

biotechnology companies is mak-

ing money, is now majority-owned by Roche, the Swiss pharmaceuti-

cal company, which has options to

buy the rest of the company. Swan-

ital firm before founding Genen-

He will continua working for

Genentech as an adviser and con-

Swanson is being replaced by

nies. Louise Lucas, Hong Kong

### New chairman for the KCRC

Yeung Kai-yin, who takes over the driving seat at Hong Kong's Kowloon-Canton Corporation (KCRC) on December 24, is under no illnsions about the size and difficulty

As chairman and chief executive of the government-owned railway A founder of Genentech, one of the company, he will be responsible for both the agreed expansion - taking the line up to the more remote nology industry, is leaving the north-west New Territories - and company to pursue other interests. Robert Swanson, aged 49, started the company with Herbert Boyer in the proposed extensions that ran aground amid complaints from Bei-

gling over the proposed cross-bor-der link intensified. Beijing has objected to both tha cost and Hong Kong's failure to keep its officials son, who worked for a venture capinformed of developments. Howaver, with Hong Kong's tech, plans to concentrate on his change of sovereignty just six investments in other companies. Howaver, with Hong Kong's months away, the position was broadly tipped to be localised; advertisements post specified appli-cants with Cantonese, the dialect sultant

of Hong Kong and Southern China. Dick Munro, a former chief execu-ON THE MOVE Ovvind Husboyd, 46, is taking over as president and chief executive officer of Falconbridge, the big Canadian nickel and copper producer 46 per cent held by Noranda, Canada's biggest

resource group. He succeeds

suddenly on September 25

while on a mine visit in

Chile. Husboyd has been

with Falconbridge for 22

its Norwegian nickel

president end chief

early in 1995.

executive vice-president

years, including two stints at

executive, as chairman with

effect from February 1. The

current chairman, Frank

Shrontz, will retire having

Shrontz becomes chairman

emeritus and continues to

■ Alan Ashton, founder of

resigned from the NOVELL

board of directors to pursue

appointed deputy managing

WordPerfect Corp, has

Myles Ruck has been

director of STANDARD

reached the age of 65.

sit on the board.

interests in Utah.

CORPORATE &

BRUSSELS | MERCHANT BANK, a unit

nications plc, ECJ FC,

of the task facing him.

His predecessor, Kevin Hyde, decided not to seek a further term with the KCRC, as Beiling's wransuch notification raised a

Also, the grant of a licence special or exclusive rights within the directives.

Those undertakings therefore had to be regarded as "telecommunications organisations" within the meaning of the directives. If Kingston's licence was issued in accordance with criteria which were neither

executive and president of METROMEDIA INTERNATIONAL GROUP, has resigned to pursue other business opportunities. James Platt, 40, has been promoted to senior vice-president of corporate affairs for global media Broup NEWS CORP. Hans Backman has been named executive vice-president of **ELECTROLUX**, responsible for industrial integration. For the last five years he has been president of Frigidaire and product line manager for Poulan/Weed Eater and American Yard Products. ■ Simon Hayes, head of Asian Equities at SALOMON BROTHERS, and Kee Young Im, chief representative of

directors, from January 1.

six new corporate officers: Patrick Balthrop, 40,

vice president, diagnostic

William Dempsey, 45,

vice-president, bospital

Guillermo Herrera, 43,

vice-president, Latin

products business sector:

operations, US and Canada;

■ The board of ABBOTT

of South Africa's Standard

Bank Investment Corp. Ben

Kruger becomes director of

its treasury division.

John Phillips, chief

Andrew Simmonds succeeds Peter Fenichel as president of BZW SECURITIES (JAPAN). Graham Paxton, managing director of out-sourcing and services company SIEMENS BUSINESS SERVICES, joins the international executive management board, with responsibility for non-German speaking Europe. He remains managing director of the UK mbsidiary. ■ Chris Lees bas joined NIKKO SECURITIES in Australia as an associate the firm's Korea office, have director, capital markets, been promoted to managing having spent the last five years with Nikko's capital markets team in London. LABORATORIES has elected ■ Kees Rutten, 38, has been appointed to the Netherlands executive board of FORTIS. the Belgian-Dutch insurance group, from January 1, and is expected to join the group executive board. He is

tive of Time Warner, who has served on Genentech's board of directors for the last eight years.

"I'm very excited about assuming tha chairmanship of a company like Genentech - it is the pioneer and pace setter of the biotechnology industry," said Munro, who joined the Genentech board in February 1988. Munro began his career with Time in 1957, having won three purple beart medals for bravery in the Korean war. Tracy Corrigan, New York

Seita joins Sega Yukifusa Seita, currently managing director of Pioneer (UK), has joined Sega, the Japanese electronic games company, as head of its European entertainments divi-sion. Although Sega is best known for its home entertainment business, the company also operates 25 amusement centres in Europe including the flagship SegaWorld,

in Piccadilly Circus, central Lon-As managing director of Sega Amusement Europe, Seita'a brief includes finding sites for additional theme parks and developing new

Higgins, 40, vice-president, Pacific, Asia and Africa operations; and Thomas Watkins, 44, vice-president, diagnostic operations, Asia and Pacific. Edward Michael 39, becomes vice-president, diagnostic operations, Europe, Africa and Middle East, from January 1.

American operations: Arthur

currently a board member of

Fortis Nederland responsible

for retail banking and

markets for the company's large, insurance activities. Amin Shah Omar Shah succeeds Mohamed Ngah ■ Jürg Fretz is to hand over Said as chairman of Switzerland's GLOBUS PERUSAHAAN SADUR TIMAH MALAYSIA DEPARTMENT STORES to

> group on August 31 at the age of 62. Pierre Mariani, 40, has been appointed managing director of BANEXI, the merchant banking subsidiary of Banque Nationale de Paris. ■ Mark Weseluck rise to vice-president, banking operations at the CANADIAN BANKERS

ASSOCIATION.

Georg Boesch, 56, from

March 1. He retires from the

■ Ken Goldman, currently senior vice-president and chief financial officer of California-based @:Home Network, joins the board of UNISON SOFTWARE. ■ Malcolm Sberman, chairman of EKCO GROUP. the US housewares group, becomes chief executive. Robert Stein, Ekco Group's chief executive since 1986,

has resigned to pursue other

■ George Heilmeier has been

Communications Research).

with effect from January 1.

Saniiy Ahuia becomes

president and chief

operating officer.

we'd like you to join our newly formed FT Reader Panel.

appointed chairman and

chief executive of

BELLCORE (Bell

sophisticated games machines.

A top priority will be to improve the performance of SegaWorld claimed to be Europe's largest indoor entertainment theme park which has had to overhaul its pricing policy in the wake of disappointing attendance figures since it

opened in September. Seita, 55, joins Sega after a long career with Pioneer, including a stint as chief operating officer of the consumer electronics company's US operations. While it is unusual for large Japanese corporations to swap top executives. Tokyo-based Sega is known for its open and entrepreneurial corporate culture, Simon London, London

Air India loses Modv The reigning maharajah of Air India and its domestic counterpart Indian Airlines, Russi Mody, has handed in his papers as chairman

of the loss-making carriers. The resignation comes just two years after the 78-year-old Mody. one of India's most prominent and colourful businessmen, was invited by Naraeimha Rao, the former Prime Minister, to pilot the state-

(Perstima)

■ Edward Staiano has been

named vice-chairman and

chief executive of IRIDILIM

LLC, a private international

consortium led by Motorola

which expects its global

wireless communications

operational in late 1998.

executive vice-president of

MOTOROLA and president

and general manager of its

general systems sector. In a

separate move. Paul Huco

becomes vice-president and

information systems group.

BANK from April 1. He was

previously a director of the

■ Giselbert Behr joins the

the board of BERLINER

Düsseldorf branch of

Dresdner Bank, Andreas

Christoph Freiherr von

Graf von Hardenberg and

Hammerstein-Loxten will

depart from the board on

December 31. Peter-Joerg

on the board and is

at Landesbank Berlin.

Klein succeeds Hammerstein

additionally a board member

■ David Rattee and David

Baird have been appointed

directors of BEATRICE

general manager, Asia

Pacific, of Motorola

Statano is retiring as

network to become

Once dubbed the "iron man of India" for his long stewardship of the Tata group's flagship, Tata Iron and Steel. Mody says he resigned out of frustration at internal resistance to efforts to bring the airlines into profitability and propos-

als to merge the carriers. "When I was appointed, I was under the impression that I had been sent in to fix everything that had gone awry with the airlines. However, I was given no executive powers to do this and after two years of trying to change things and failing, I had no option but to

resign," he says. The new chairman – who is expected to be appointed early next year - will certainly have a full agenda. Top of the list will be finding the funds for the planned but long-delayed purchase of 23 medium-capacity, long-range aircraft to

modernise Air India's ageing fleet. The new chairman may also oversee a partial privatisation of the airline. Local observers suggest the Indian government's Disinvestment Commission has asked Air India to evaluate its assets in preparation for a possible sell-off of 40 per cent of the equity of the airline. Tony Tassell, Bonibay

FOODS, the Canadian food

manufacturing company.

■ Stephen Orr, 42, becomes

vice-president IIS operations

at HOMESTAKE MINING. the gold producer, from ■ David Rutledge moves to president of INGRAM MICRO Latin America. He was previously senior vice-president of Asia Pacific, Latin America and Export Markets, Larry Elcheseo, former president of Ingram Micro Canada. takes charge of the Asia-Pacific region. Robert Yohe, former vice-chairman of Olin Corporation, joins the board of LAROCHE INDUSTRIES, the US chemicals company. ■ Micbel Haski becomes chairman of BIP GESTION,

### International appointments

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Arthur Andersen, Bank House, 9 Charlotte Street, Manchester M1 4EU. Tel: 0161 200 0355 Fax: 0161 200 0343

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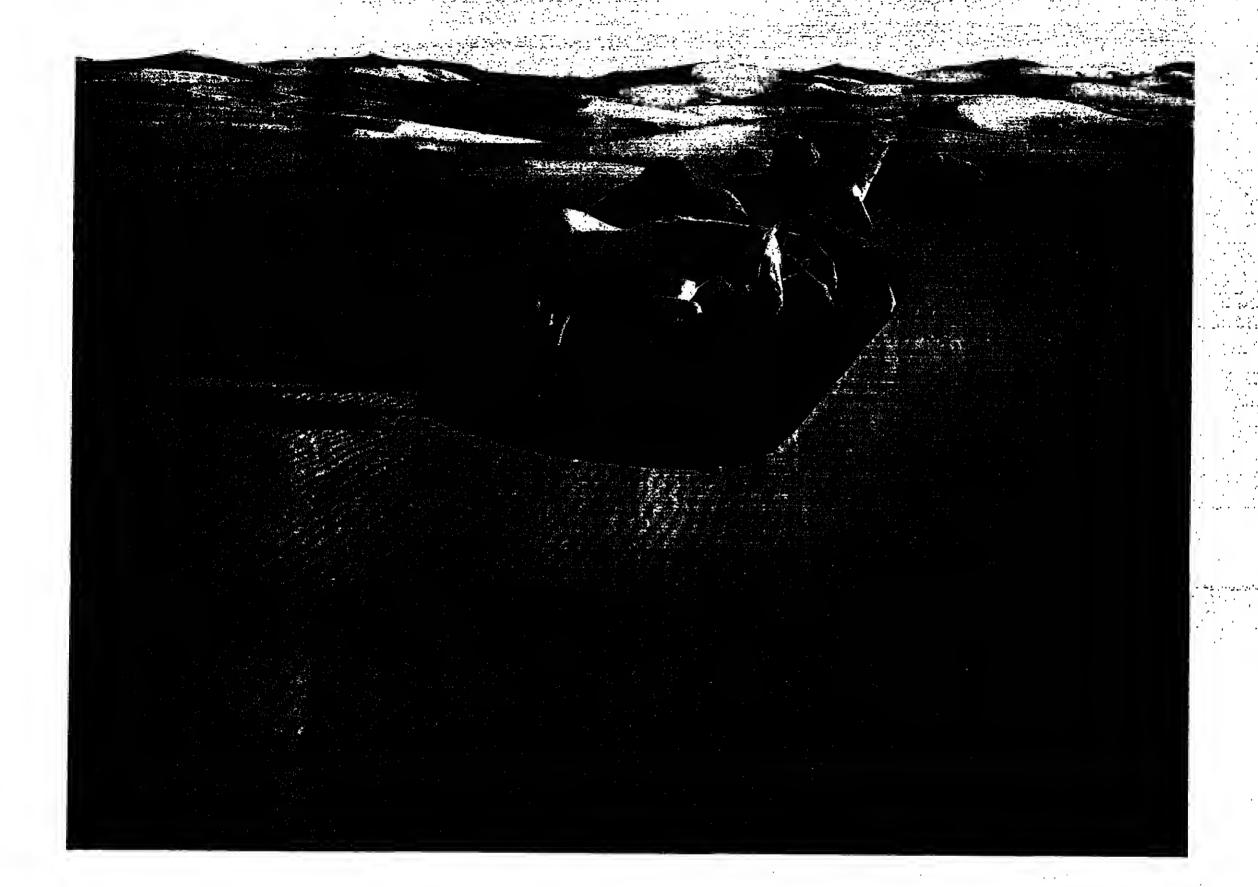
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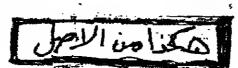
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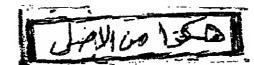
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# Symbolism in wood and clay

### William Packer on the work of sculptors Nicholas Pope and David Nash

names in the 1970s. have shows in London at the moment of their latest work. Now 50 or thereabouts, they arrived on the same wave of young artists by which British sculpture, even theo, was said to have renewed itself - a process which seems to happen once or twice a decade with the regularity of the tides. The idea that the bright young things of the moment -Hirst, Whiteread - have somehow revived British sculpture to international notice after long years in the doldrums marks only the short attention-span of the fashionable

Anyway, along with such nearcontemporaries as Richard Long and Barry Flanagan, they reacted against the abstract, heavy-metal sculpture of the Caro school of the 1960s, turning instead to natural materials and a more improvisatory response to them as they occurred in nature. Both enjoyed conspicuous early success, Nash with shows at the Serpentine, works in public collections and tours abroad, Pope, at 31, with the British Pavilion at the 1980 Venice Biennale.

avant-garde.

hardly have been more different.

icholas Pope and Nash has stuck to his last, or rather group of the simpler, wondering no less evident in the work of David David Nash, two sculp- to his saw, axe and bonfire, slicing tors who made their and scorching his way into the living wood as the form or circumstance suggests. He has continued to work consistently, developing within the given scope of his ideas, sustaining his particular aesthetic.

Pope, on the other hand, was always more various in his material and approach, and more minimal in his formal interests - now piling logs in precarious stacks, now building fences, now hacking chalk into primal lumps. And then illness brought his career to a shuddering stop. Rare viruses contracted on a working trip to Tanzania in 1982 affected both his brain and his physlcal ability to work. But hy slow degrees he has mended, and what we see now at the Tate, in the Art Now studio gallery, is remarkable and moving testimony to his recovery.

of the Makonde that took him to Africa, and the formal debt is openly acknowledged in the crowd or forest of hand-built terracotta totems presented here, each of them more or less of human size. But abstract as they are, these are all symbolic figwith the 12 principals each with its more complex character of Since then, their careers could modelling to represent one of the ardly have been more different. apostles, and each surrounded by its

It was his interest in the sculpture

multitude. For these are the Apostles of the Pentecost, speaking in tongues, and each has his paraffin lamp for head, to carry those tongues of flame that were the inspiration of the Holy Ghost.

The lamps should be lit all the time, but at the moment they are lit only for 15 minutes at a time, at 11, 1 and 3.30 each day, with hope of more frequent intervals later on. Although impressive anyway, it is well worth catching one of these moments, for only then does the work at large take on its full narrative and symbolic point, with only the flickering flames to light up the darkened room, and the figures themselves seeming to move in tha dancing

It is a highly theatrical piece, quite consciously so, the most obvious recent parallel, as it happens, the Trojan War cycle of Anthony Caro, with its similarly abstracted yst highly charged totemic figures. This open acceptance of any such reading is a new departure for Pope, and obviously founded on his late troubles. Pentecost, the visitation of the Holy Spirit, bespeaks a renewal of faith, self-discovery and a commitmant to the futurs and the

The totemic and the symbolic are

Nash, though without so specific an association or narrative. His is a more elliptical approach, masked by immediate formal or structural concerns. But process and nature are always there, to take over the imagination the moment, as it were, that Nash half turns away.

A dish, beautifully improvised out of natural form, is balanced delicately on a deceptively crude, stoollike block, only to turn into a moosehead trophy that dominates the gallery. Logs hollowed out become vestigial hoats. Improbably curved planks are pinned together, stood on end and inter-weaved to restate the trunk and growth of the tree. Fire sears and chars the rotten core of the split block. The saw opens out the living timber. Form reveals itself. The underlying preoccupation is with life, the natural cycle of renewal and decay.

Nicholas Pope - The Apostles Speaking in Tongues: Tate Gallery, Millbank SW1, until February 23; the 1996-97 Art Now programme is supported by the Henry Moore Foundation, the Patrons of New Art and an anonymous donor. David Nash - recent sculpture: Annely Juda Fine Art, 23 Dering Street W1, until January 19.



Detail from 'The Apostles Speaking in Tongues' by Nicholas Pope

Stripped down to essentials: Le Cercle Invisible

### Theatre/Sarah Hemming

"It's granny, mummy," as Jean Baptiste Thierrée took to the stage in Le Cercle Invisible at the Mermaid Theatre. It is doubtful whether the lady in question would have been flattered by the comparison to this ageing clown with the fanatical eyes, perpetual grin and mophead hair. But the child had a point. Pop a bonnet on him and Thierree would pass for the archetypal fairy-tale granny. And that is part of his charm and part of the charm of the circus in which he appears.

Thierrée and Victoria Chaplin have stripped the idea of circus right down to its essentials. There are no hig tricks or flashy showpieces; the magic they are interested in is the power of the imagination to see things differently.

So Victoria Chaplin performs a series of scenes in which her costume takes on a life of its own. A dress becomes a dragon; a stack of chairs becomes a horse. It is very cleverly done, and whisks you back to childhood when a couple of old curtains could transform you into a

straight out of a fairy-tale, with her long dark hair and large, eloquent Continues at the Mermald Theatre, eyes, and the show has the feel of a London EC4 to January 12 (0171 236 fairy-tals - fascinating, but eerie. We 2211).

Some enchanted evening small child cried out, are in the childhood world where

sofa can become a chariot but where bears also lurk beneath the bed. While Chaplin wrestles with her costumes, Thierrée complements her with a series of absurdly comic scenes in which he bungles the magic tricks he tries to do. Twinkling and beaming, he strides onto stage with a suitcase of artifacts that never quite work as he intends. Meanwhile there are also scenes of purely surreal humour; at one point Thierrée sings opera through masks on his kneecaps; at another he is marched across the stage by a giant coffee pot on legs.

Even when the couple do perform circus tricks, they undercut them with humour. As Chaplin goes through a hair-raising trapeze routine. Thierrée rushes on to assist her in a set of increasingly ridiculous wigs. As she dangles precariously from a high-wire by one foot, she wiggles the toes of the other as if waiting impatiently for a hus. And, having conjured up two rabbits and a squadron of ducks, the couple simply leave the stage to them - the rabbits reading books, the ducks Chaplin herself looks like a waif syncratic and enchanting show.

## Recitals in London

### Straight Beethoven n Friday night at of dynamic range to suit the sometimes cut short the last

London's Royal Festival Hall. Maurizio Pollini gave the second recital in his current series of all Beethoven's piano sonatas, except the pair of "little" sonatas Opus 49. It was a long programme - probably the longest of the entire cycle - and the first half, with three sonatas, Opus 10, amounted to 70 minutes of sobd music, an evening's worth in itself.

Solid is the word. Pollint's capacity for concentration almost certainly exceeds that of his audience, and he seemed more committed and settled than in his opening recital nearly three weeks

It almost goes without saying that he gave classic performances, as powerful as Beethoven can have imagined, without any reduction

music's early date. Yet Pollini did not press expressive points unduly either. Everything bappened within a strictly disciplined

continuity, whereas some great Beethoven specialists in the past might have let out the seams. In that sense, and in his adherence to the text, Pollini is a "modern" player, as the late Rudoif Serkin was, though be lacks Serkin's excitability and capacity for elation. After the interval, some reason Pollini lost

some of his rhythmic poise and control over tempi. The fingers were as strong as ever, but in the first of the two Opus 14 sonatas, be tended to rush, letting the lovely central E minor Allegretto slip forward as if he could hardly wait to get on to the finale, where he would

beat in a bar. Nor was the first movement of the genial G major sonata, Opus 49 no 2, entirely free from a tendency to gabble - possibly, Pollini over-estimated the clarity of the hall,

Or perhaps he had decided not to stay overnight, for he still had to play the Pathetique, put last, no doubt. because of its stormy passion. Stormy it certainly was, yet not exaggerated. If you like your Beethoven straight, Pollini's your man. But the more his head and bands have to do, the better be tends to be. So as he works his way through the canon chronologically, the prospects are promising: the last two recitals, in May and June, are likely to be the most rewarding of all.

Adrian Jack

### If the plaintivs voice of Greece's most familiar musical export the dramatic contralto of Maria Farandouri is surely its most expressive; the composer Mikis Theodorakis

first identified her dark Theodorakis's setting of voice as the ideal instru-ment for his work when she George Seferis's poem Mythestorema, and its was just 16. inspiring refrain: "A little As if the voice's intrinsic higher, a little higher still", qualities were not enough, imbuing the song with there is the added resonance

anthemic qualities. of Farandouri's political This was an evening engagement, which forced designed to illustrate the her into exile in 1967 when special way in which Greece fell into the hands of Greece's composers - chiefly a military dictatorship. Her Theodorakis and Manos performances of Theodorak-Hadzidakis - have interpreted some of its greatest is's songs in the world's leading concert halls poets, Seferis, Nikos Gatsos, became a powerful symbol Odysseus Elytis, to bring of resistance during the juntheir not-always-accessible work to the lips and hearts

of a mass sudience. cal intelligence and political With John Tavener introducing the concert, and Ruth fervour continues to weave Padel and Peter France proits spell, even during these much-changed times. At the Queen Elizabeth Hall on Satviding translations and explanations, there was urday, she brought the evenplenty of help for the neu-

tral observer, though the betrayed most of the audience's Greek origins. reliefs Farandouri never allowed

technical facility to compensate for emotional directness, asking demanding questions of her powerful instrument and answering most of them. Her bearing on stage is humble, modest. and sbs is meticulous in her conveyance of mood. After dedicating the Yiannis Ritsos/Theodorakis song "On These Very Marbles" to Melina Mercouri, you could feel her trumpeting first lines causing the very foundations of the British Museum to tremble.

More pacific in tone was the London premiere of a pre-Byzantine hymn, transcribed from papyrus found at Oxyrinchus, haunting in its intensity, and Hadzidak-is's playful setting of Aristophanes, a rare moment of light relief.

Peter Aspden

### Concert/Richard Fairman

# Gatecrashers come good

the Barbican was advertised as the London Symphony Chorus's 30th anniversary gala, but the choir will have been dismayed to find how difficult it can be to get star guests to come to the party. Even the week before, some of the soloists were still being sought and the only one who had been booked

unday's concert at

Try to put on a big Verdi work like the Requiem and that is what happens, as any opera-house will tell them. There simply are not enough top-name Verdi voices to go round any more. A long, hard search will be needed to hring together a good

TURI

clearly are. Tha soprano. quartet and the chances are that it will have singers with smaller voices and from a wider range of nationalities than it would have done in

For its Verdi Requiem on well in advance cancelled on Sunday, the London Symphony Orchestra searched from Hungary to Iceland. from the US to Albania. The quartet it found was heterogeneous, but youthful, interesting, and even hlended fairly well. There is something to be said for picking

Georgina Lukacs from Hungary, is due to sing Lady Macbeth at Covent Garden next summer and has a steady, liquid voice, with a slight edge, not huge, which she can easily movs up and over the top notes. A few flashes of operatic spirit in her "Lihera me" seemed almost out of place - it was not that kind of performance.

The surprise arrival was the Albanian mezzo, Enkepromising singers on the ledja Shkosa, who took over way up and all four of these at the last moment and Verdian instrument.

bright mezzo, poised halfway between Rossinian brilliance and weightier Vsrdi punch. Stuart Neill is an American tenor of obvious accomplishments, a lighter version of Michael Sylvester. who gives good value and phrases hroadly, his "Hostias" was sung in an affecting, if not very Italianate, head voice. The compact. dark bass of Iceland's Gud-

jon Oskarsson is already

known here and is on the

way to being a very effective

have minded being upstaged by these gatecrashers. That is in the nature of the Barbican's acoustics, which keep the choral sound well back, though their contribution seemed well rehearsed. Despite his long history in opera, Colin Davis conducted a performance which was more sombre oratorio than

Hopefully, the London Symphony Charus will not

excitable melodrama, underlining key moments in the musical structure with deep ta's seven-year reign. The combination of musiconcentration (the lead-in to the "Lacrimosa" becams a major sysnt in itself). The LSO played well for him. It was a creditable evening all round, though "gala" is fast becoming a debased term.

### cellist Ronald Leonard perform works by Stravinsky, Haydn and Sibelius; 7pm; Dec 18, 20 (8pm)

■ NEW YORK

CONCERT Alice Tully Hall Tel: 1-212-875-5050 Tokyo String Quartet: with planist Peter Frankl perform works by Schubert, Laderman and Brahms: 8pm: Dec 18

**OPERA** Metropolitan Opera House Tel: 1-212-362-6000 L'Elisir d'Amore: by Donizetti. Conducted by Carlo Řízzi, performed by the Metropolitan Opera. Soloists include Rost,

Leech, G. Quilico and Nucci;

8pm; Dec 19 PARIS DANCE Théâtre National de l'Opéra -Opéra Garnier Tel: 33-1 42 66 50

 The Nutcracker: a choreography by Rudolf Nureyev to music by Tchaikovsky, performed by the Ballet de l'Opéra National de Paris; 7.30pm; Dec 18, 20, 21

**EXHIBITION** 

exhibition centered around Gauguin's self-portrait "Autoportrait au Christ jaune" brings together the painting "Le Christ jaune" from the collection of the Albright-Knox Art Gallery

and the 17th-century wooden crucifix from the Trémalo Chapel which formed its source of inspiration; to Jan 5

MUSICAL Théâtre du Châtelet Tel: 33-1 42 33 00 00 Black and Blue: by Segovia/

Orezzoli. Directed by Claudio Segovia and Hector Orezzoll. performed by the Théâtre du Châtelet: Mon - Sat 8.30pm, Sun 2.30pm & 6.30pm, Sat also 4pm; from Dec 17 to Dec 23

### VIENNA **OPERA**

Wiener Kammeroper Tsl: 43-1-5120100 Dona Francisquita: by Vives. Conducted by Lluis Vila I Casanas, performed by the Wiener Kammeroper (In German). Soloists include Monica Thelss, Lorena Espina, Sulie Girardi, Lubica Gracova, Cesar Gutierrez and Hector Sandoval; 7.30pm; Dec 18, 21

Wiener Staatsoper Tel: 43-1-514442960 Madama Butterfly: by Puccini. Conducted by Friedrich Pleyer, performed by the Wiener Staatsoper, Soloists Include Coelho, Serdar, Halmai, Monarcha and Gati; 7.30pm; Dec 18

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08.30

Squawk Box

10.00 European Money Wheel

18.00 Financial Times Business Tonight

INTERNATIONAL

### **AMSTERDAM**

CONCERT Concertgebouw Tel: 31-20-6718345 Koninklijk Concertgebouworkest: with conductor Riccardo Chailly and violinist Jaap van Zweden perform works by Prokofiev, Bartók, Stravinsky and Rossini; 8.15pm; Dec 18, 19

### **BERLIN**

CONCERT Konzerthaus Tel: 49-30-203090 Berliner Sinfonie-Orchester: with conductor Michael Schoenwandt and violinist Guy Braunstein perform works by Ruders, Tchaikovsky and Beethoven; 8pm; Dec 19, 20, 21

EXHIBITION Berlinische Galerie -Martin-Gropius-Bau Tel: 49-30-254860 Marianne und Germania, 1789 bis 1889, Zwei Welten - Eine Revue: exhibition as part of the

Berliner Festwochen, focusing on the relationship between Germany and France in the 19th century. The exhibits come from German and French collections:

Deutsche Oper Berlin Tel: 49-30-3438401

 Madama Butterfly: by Puccinl.
 Conducted by Johan Amell,
 performed by the Deutsche Oper
Berlin. Soloists Include Maria Spacagna, Catherine Gayer and Watton Gronroos; 7.30pm; Dec 19 Staatsoper Unter den Linden Tel: 49-30-20354438 Lohengrin: by Wagner.
 Conducted by Daniel Barenboim, performed by the Staatsoper

Inter den Linden. Soloists include

### Magee, Polaski, Botha, Pape and others; 6pm; Dec 18. 21 (5pm) ■ BONN

**OPERA** Oper der Stadt Bonn Tel: 10-22R-7281 Die Zauberflöte: by Mozart. Conducted by Renato Palumbo, with the Oper der Stadt Bonn. Soloists include Ramos, Beer and Sturludottir, 7.30pm; Dec 18

### **■ COLOGNE** CONCERT

Kölner Philharmonie Tel: 49-221-2040820 Swedish Chamber Orchestra: with conductor Eric Ericson, soprano Barbara Hendricks, the Eric Ericson Chamber Choir and the Kölner Kinderchor perform Christmas music; 8pm; Dec 18

### ■ COPENHAGEN DANCE

Det Kongelige Teater Tet: 45-33 69 69 69

 Royal Danish Ballet: perform Etudes, a choreography by Harald Lander after Czerny to music by Riisager, and Le Conservatoire or A Newspaper Courtship, a choreography by August Boumonville to music by Paulii; 8pm; Dec 18

### **■ GHENT OPERA**

De Vlaamse Opera Tel: 32-9-2230681

 Les Liaisons Dangereuses: by Swerts, Conducted by Patrick Davin, performed by De Vlaamse Opera, Soloists include François Le Roux, Marilyn Schmlege, Lyne Fortin and Jocelyne Taillon; 8pm;

### ■ HAMBURG **OPERA**

Hamburgische Staatsoper Tel: 49-40-351721 Die Zauberflöte: by Mozart. Conducted by Lothar Zagrosek, performed by the Hamburg Staatsoper. Soloists Include Kwon, Isokoski, Yang and Gaillard: 7pm; Dec 18

### ■ LONDON

CONCERT Barbican Hall Tel: 44-171-6384141 Les Fêtes d'Hébé: by Rameau. Conducted by William Christie, performed by Les Aris Florissants. conductor Joseph Swensen and

Stephen Layton perform works by Howells, Warlock, Walton, Bennett and others; 7.30pm; Dec Wigmore Hall Tel:

Soloists include sopranos Sophie

Daneman, Maryseult Wieczorek and Sarah Connolly, tenors Paul

Fouchecourt, and basses Olivier

Luc Coadou; 7.30pm; Dec 18

Philharmonia Orchestra: with

King's College Choir and the

Philharmonia Chorus perform

works by J.S. Bach, Britten, Arnoid and others; 7.30pm; Dec

St. John's, Smith Square Tel:

Polyphory: with conductor

conductor Stephen Cleobury, the

Lallouette, Matthieu Lecroart and

Agnew and Jean Paul

Royal Albert Hall Tel: 44-171-5898212

44-171-2221061

44-171-9352141

 Gabriela Montero: the pianist performs works by Liszt, Schumann, Albéniz and Rachmaninov; 7.30pm; Dec 18 THEATRE The Pit Tel: 44-171-6388891

• The White Devil; by Webster. Directed by Gale Edwards. performed by the Royal Shakespeare Company. The cast Includes Jane Gurnett, Caroline Blakston and Richard McCabe; 7.15pm; Dec 18, 19, 20, 21

### **■ LOS ANGELES** CONCERT

Dorothy Chandler Pavillion Tel: 1-213-972-8001 ● Los Angeles Philharmonic: with

Musée d'Orsay Tel: 33-1 40 49 • Gauguin et le Christ jaune: this economies as large as these are particularly free from

Yet suppose that labour

costs are not allowed to fall

- because of regulations or,

more plausibly, because peo-pla are little better off after

tax than on unemployment

benefits. What would one

then expect? The answer is

low growth in employment,

substitution of capital for

relatively expensive labour

in the economy and a

squeeze on the profitability

and performance of sectors

producing tradeable goods

This is what can be seen

in the EU. So it does appear

problem. Two points are

First, the core European

countries do not need the

by the Bundeshank. They

need, instead, a "competi-

tive" one, subject to the pro-

viso that its internal pur-

chasing power is satisfactorily protected. In a

low inflation era, strong

Second, the real cost of

currencles can become

same thing as the real wage

enjoyed hy amployees, needs

to fall if the unemployed are

to be absorbed into jobs.

This is important not only

for the labour market, hut

for overall economic perfor

mance. Reform of regula-

tions and the structure and

level of taxes and benefits

need to pay proper attention

If the idea of competitive-

ness leads to an examina-

useful one. The performance

to these wider concerns.

nightmare

"strong" currency so desired

to have a "competitiveness"

then worth making.

and services.

international influence.



**Martin Wolf** 

# A question of competition Europe is not just

While some commentators reject the concept of international competitiveness, it can illuminate the causes of the EU's economic ills

Is Europe competitive? The question is one that many of the continent's finest minds are thinking about as unemness is too simple, as Mr Andrea Boltho of Magdalen ployment in the European Union seems stuck at post-College, Oxford, notes in his opening article in the war highs. But is it a meaningful Oxford Review of Economic

question? Professor Paul Policy. Krugman of the Massachu-Hidden behind it is at setts Institute of Technolleast one perfectly respectogy, for one, has mounted able notion. This is the real the most savage assault on exchange rate, which can be the tendency to ascribe ecothought of for this purpose as a link between the cost of nomic failings to lack of competitiveness. It is a failure to understand how of internationally exposed nations differ from compasectors of the economy.

nies, he says. Yet there is much that can be learnt from asking the question - provided competitiveness is defined to be drawn between three in a sensible way. The apparently separate worries: answer can shed light on employment, wholethe causea of Europe's current predicament.

Prof Krugman returns to the subject in Making Sense nf the Competitiveness Debate, which appears in the recent collection of the US, which ran a current essays on International Competitiveness in the Oxford Review of Economic Policy (OUP). He condemns those who believe the aim of trade policy is to maximise exports and minimise imports as mercantilists.

Yet that is exactly the position of the European Commissinn in its white paper on competitiveness, growth and employment, published in December 1993. when it argued, absurdly, that "the most important reason for the long upward trend in the European rates of unemployment is the rise of nations that are compet-

The theory of comparative advantage shows trade is mutually beneficial. But viewed through the mercantilist spectacles donned by the Commission it becomes a form of warfare.

Prof Krugman is right to be angry that nearly two centuries after it was first developed many policymakers and commentators fail to understand compara-

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tive edvantage. Yet outright cent of the global total in shows there was indeed a its ability to absorb labour rejection of the notion of 1995, compared with 15.5 per large and sustained depreci-international competitive- cent for the US.

allows there was anteed a list about to absorb international depreci-ation in the real exchange true for any economy but Yet a current account sur-

recent paper on the competi-

3.7 percentage

internationally

One other feature of the

exposed industries is worth

noting. EU manufactured

output rose by only 23.4 per

cent between 1980 and 1995,

against an increase of more

than 57 per cent in the US. Such a mediocre perfor-

mance in the internationally

exposed parts of the Euro-

pean economy may, among

other things, he a symptom

of overvaluation of the real

case, to an extent is - symp-tomatic of inadequate domestic demand. Furthermore, the EU's high share in world exports masks a declining trend - as the Commission noted in Its

rose

points.

A simple indicator of competitiveness

Real effective exchange rate based on relative unit labour cost .

tiveness of European industry (November 1996). The labour and the performance share of the 12-member EU in the manufactured exports of members of the Organisa-In the case of the EU, a tion for Economic Conperation and Development focus on the real exchange alipped by 2.5 percentage rate is particularly illuminating. It allows a connection points between 1987 and 1993, while north America's

economy productivity and The natural starting point for a discussion of competitiveness is the last of these. The picture is mixed. Unlike account deficit of about 2 ner cent of gross domestic

product in 1995, the EU had a current account surplus of 0.5 per cent of GDP. It also remains the world's largest exporter: merchandise exports from the EU to the rest of the world were 20 per exchange rate. As the chart

ation in the real exchange true for any economy, but rate of the US - as meaplus can be - and, in this sured by relative unit labour costs – vis à vis Germany and, still more, Japan,

after 1985.

The hypothesis of overvaluation of the real exchange retes of core European economies can be supported by two other indica-

One is the ratio of the

exchange rate egainst the

US dollar to the OECD estimate of the "purchasing power parity exchange rate" the rate that would equaltse average price levels between the countries. If this ratio is higher than one, prices are higher than in the US: in 1995 the ratio was 1.3 in France, 1.5 in Germany parformance of the EU's and 1.9 in Japan; it was about one in Italy and the UK. The figures for Germany and Japan are surprising for countries with similar levels of real income per head to the US. But these divargences seem to support the French and German view that their companies were competitive against one another, but not against producers in the US, Italy and the UK.

The second indicator is labour to the employer, that, according to Morgan which is not necessarily the Stanley, hourly lahour costs in industry were higher in Sweden, Finland, Denmark, Austria, Belgium and west Germany in 1994 (in that order) than in the US. Yet US industrial output per person remains the highest in the world.

The significance of any overvaluation for the performance of the European economy must be kept in strict proportion. The EU is a very large economy that is tion of what determines the only modestly dependent on real exchange rate, it is a external trade: in 1994, EU exports to the rest of the of internationally exposed world were 8.8 per cent of industries can be a symp-GDP, little more than the 7.7 tom of a disease that policyper cent of the US. Over the makers need to investigate long term, growth is deter- and cure. Competitiveness mined by productivity in is dead; long live competithe economy as a whole and tiveness.

Philip Stephens

# Major's problem



mire. The juxnow auto-matic. When the Tory sceptics are not railing against

a single currency, it is Spanish trawlers, the beef ban, or federalist plots in the European Union's intergovernmental conference. From every point on the

continental compass springs a new threat to Britain's nationhood. If Kannath Clarke dares suggest otherwise he is howled down in the manner once reserved by the hard left for Labour chancellors. The prime minister is paralysed.

For the moment, this is Mr Major'a nightmare. One can hardly blame Tony Blair for enjoying, and exploiting, the Tory divisions. As much as Mr Blair has done to transform Labour into an electable party, it is the flight from reason among Conservatives which promises to take him over the threshold of 10 Downing Street. Europe then will be seen as Labour'a headache. In truth, it is Britain's.

Mr Major found himself a bystander at the European Union's Dublin summit. His continental counterparts were too polite to say goodbye, but few expect to see him again in Amsterdam next June. He was the distant cousin at the wedding: acutely conscious, it seemed, that his side of the family had been invited only for

The others were tuning the motor of economic and monetary union. Mr Major wanted to warn that the engine would soon blow up. There was no great row over the proposed new treaty to overhaul the EU's institutions. Nor was there any meeting of minds. Mr Major used to proclaim on these occasions that Britain was winning the argument

Europe: John of its partners. He no longer Major's quag- bothers. It is hard to argue that Europe is at a standstill taposition is when your counterparts are passing around fresbly printed euro banknotes. ft had seemed so different

in Rome six years ago. Then, at his first summit as prime minister, Mr Major was feted as the leader who would rescue Britain from the Europhobia of the last Thatcher years. He spoke the language of co-operation. By yesterday, his report to the House of Commons on his talks in Dublin was replete with her

favourite negatives.

In another respect too. Dublin seemed a fitting end to a 17-year journey. It was in the Irish capital that It all atarted back in 1979, with the row over the British contribution to the Brussels budget. Margaret Thatcher's demand that the others give back her money marked out Europe as a threat rather than an opportunity. Henceforth, Britain'a continental diplomacy was to be condncted through the metaphors of war. She signed up. of course, to the Single European Act, and Mr Major to Maastricht. But these, the nation was assured, were

merely tactical retreats. His close colleagues give conflicting accounts of the prime minister's mood. Some report they have never seen him so ill-tempered, the consequence of fatigue and frustration. But there is also a hint of fatalism. Europe has become his party'a death wish. The history books are unlikely to lay the blame on Mr Major.

Mr Blair, bowever, cannot escape this legacy. Before the general election, he is determined not be out-flanked by a sceptical Mr Major. He intends to rebut at every turn the charge that Labour would surrender its "vetoes" over immigration, defence and taxation. He too is ready for isolation in the national interest.

against the grand ambitions believes he can cut a deal boundaries of party politics.

which would keep Britain in the European mainstream. His conversations with other leaders, notably with Wim Kok, the Dutch prime minister, have persuaded him that he could sign the treaty now under discussion. He also thinks that domestic public opinion can be recalibrated by a government willing to paint Europe in positive colours. Young people have not lost their idealism.

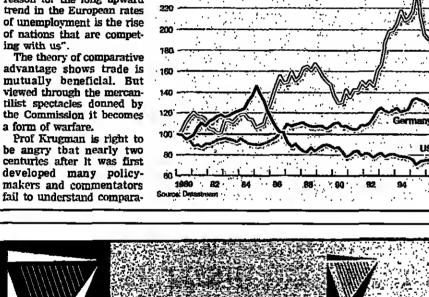
Mr Blair bas a point. Britain has been part of the EU for nearly 25 years. For only two of those years immediately after accession - has it had a government determined to make a success of membership. So if the national mood is now running with the sceptics, it is remarkable also that the option of withdrawal has won so little support.

it would be a grave mistake, though, to underesti-mate the task. The debate over Europe bas been demeaned and corrupted by conducted. The relentlessly facile imagery of vetoes, surrenders, and sovereignty has created an accretion of popular mistrust. It will take time to huild a different consensus. And there are also rational doubts as to bow comfortably Britain will slot into a Europe built around eco-

nomic and monetary union. The sceptics in Mr Blair's party are quiescent now. But opposition to a single currency will provide a dangerous rallying point. Out of office, the Tory sceptics will tighten their grip on their party. Every deal struck by Mr Blair in Brussels will be condemned as a sell-out of

the nation's sovereignty. Mr Major's mistake has lain in his failure to mobilise the pro-European majority at Westminster. Mr Blair cannot afford to ignore the lesaway. Britain's problem will he solved only when the nation has a leader imagina-In office, the Labour leader tive enough to redraw the

Sky's lir



# ·LETTERS TO THE EDITOR·

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# Emu: do it right, or not at all

From Mr Gabriel Mangano. Sir, How refreshing it was to read the Lex column "Rushed money" (December 9). You managed to squeeze in a single column more sensible comments about Emu than I've read in the whole of the numerous articles on the topic splashed across

Europe's newspapers. First, you accurately emphasised the potential structural benefits of a single currency, rather than its cyclical ones. Although some EU member countries might not like it (step forward UK). significant gains in competitiveness are likely to be achieved through closer integration of European markets, and using a single currency across all of them is

certainly not going to do sucb convergence any harm. Second, you had the guts to state the obvious: structurally, Europe is not ready yet for such a project. Forget all the fuss about bogus convergence criteria, phoney stability pacts and "creative" fiscal accounting. Countries like Italy, Spain, or indeed France should admit that what they need instead is a good hard thought about how to improve their score on what economists have long recognised as one of the crucial features of so-called "optimum currency areas": : the geographical and intersectoral mobility of their workforce. This takes time, and should be done properly: artificial deadlines should be scrapped when they do more

harm than good. Unfortunately, you failed to be as explicitly lucid as you could have been: you didn't dare question the consensual view that Emu should be exclusively tailored to Germany's wishes, Amen. The Bundesbank's operating procedures are as antiquated as they come (a monetary target is, as far as I am aware, only followed by one other country in the world - Switzerland, and not uncontroversially so), yet it

awkward methods to a future European central bank which would be much better off with an explicit inflation target and an accountable central banker.

Similarly, the rigidity of German finance minister Theo Waigel's idea of a "stability pact" will certainly not help the euro zone water down any asymmetric shock: once again, optimum currency area theory calls for fiscal redistribution, rather than arbitrarily set limits to budget deficits, as a way to add some flexibility to an already strict system. Emn is too much of an important economic project to be spoilt by political considerations: either do it right, even if this implies resisting most of Germany'a unrealistic and harmful demands, or not at

Gabriel Mangano, Centre Walras-Pareto, University of Lausanne, 1015 Lausanne, Switzerland

### Fluoride tablets

From Mr Eric Robinson. Sir. With reference to Clive Cookson on Ruoride in water ("Subject to get your teeth into," December 7/8), my dentist told me 30 years ago that it was effective only up to the age of seven, after which it was liable to cause the mottled teeth that Mr Cookson refers to.

Compared with the enormous quantity of water that goes down the drain from washing clothes, pots, bodies, floors, cars and flushing toilets, the amount drunk is negligible so why go to the considerable expense of treating it all? What might brewers and soft drink makers say? Far better and cheaper to issue fluoride tablets, free if need be, for its enthusiasts to put in their own drinking water.

Eric Robinson, 28 Avenne Jules Colie, B-1410 Waterloo, Belgium

### Ukraine needs to attract private funds

cial commitments, among

Ukraine to implement on-

Third, however, is that

appreciated by Ukrainian

authorities. If delays have

arisen in the transfer of

it is in part because the

seems to consider that these

granted in the framework of

Fund agreements. However.

as there is a need to comple-

ment IMF funding by bilat-

bear their own complemen-

eral grants, these grants

tary conditionalities. In

order to make sure that

Ukrainian government

funds are automatically

International Monetary

going reforms.

them the balance of pay-

insists on imposing such

Sir, Mr George de Menil writes ("EU's chance to shine," December 6) that the EU is "short-sighted and slow" in supporting the new economic and legal reform package proposed by the Ukrainian government, and which is currently under discussion by Its parliament. This view does not reflect the reality.

First, the EU has always provided the greatest balance of payment support to Ukraine: from 1994 to November 1996, Ukraine received \$236m from the EU (\$130m will most probably be transferred in the coming weeks) compared with \$75m from the US. If all types of assistance are combined for all member states and the Commission, Europe has contributed since 1991 \$4bn (49 per cent from Germany alone and 40 per cent from the EU institutions), com-

pared with \$1.95bn from the Second, there does not

seem to be any difference of these conditionalities are fulfilled, the Ukrainian side view between the Commisshould maintain adequate sion and member states on high level contacts with EU the necessity to continue European support to authorities. Ukraine: the action plan on Last, official balance of Ukraine contains both payments support should

strong political signs of supnot be the main source of port to Ukraine, and finanexternal finance. "Political money" should give way to private money. For that, ments financing needed by investors have to be confident that Ukraine will perform well and this needs a more attractive environment Europe's support is not truly than at present. We hope the present reform package proposed by Mr Pynzenik - and to which European technical assistance contributes - will European funds to Ukraine, create conditions allowing Ukraine to raise private

funds already next year. G. Duchene. editor, Ukrainian Economic Trends, counsellor of the Minister of Economy of Ukraine. EuroCentre, Puskinskajya 12, KV20,

### Beached

From Mr Barney Trench. Sir, It would be easier to generate positive thinking about London's millennium exhibition if we had some idea of the marvels it is expected to contain. At the moment the project looks like a jellyfish on a dirty beach.

What are the big attractions?

Barney Trench, 83 rue Marie-Thérèse, Brussels, Belgium

### Barrow full

From Mr Desmond Keating. Sir, If the UK rejects the European single currency and sterling stands alono. will not George Soros need to get himself a much larger wheelbarrow?

Desmond Keating. 13 Cedar Hall, Millbrook Cnurt, Dublin 6, Ireland

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### **COMMENT & ANALYSIS**

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday December 17 1996

# Boeing, Boeing

Yesterday's positive stock market response to Boeing's planned merger with McDonnell Douglas suggests Wall Street believes the companies' shareholders will gain from the deal. But it is hard to be as confident that it will benefit the long-run interests of the two companies' commercial customers - or evan the companies themselves.

In one sense, the merger is simply the latest result of pressures for consolidation of aerospace businesses worldwide. As such, its logic is hard to fault. The prospect of a still more formidable Boeing may also be just what is needed to jolt Europe's politicians into pushing through e long overdue rationalisation of their defence industries and of Airbus, the commercial aircraft consortium.

That much is positive. However the deal could also pose threats to competition. Thesa are not primarily related to the scale of the merged company. Nor do they stem from the commanding position it would enjoy in world civil aircraft sales, since Boeing and McDonnell seldom compete directly these days for such orders. The doubts arise from the nature of - and relationship between -the businesses which the

enlarged group would span. Commercial aircraft programmes have long benefited from defence spending, which defrays research and development costs and allows the two husiness to share resources. A merger with McDonnell would treble Boeing's defence business and increase its access to public funding. Although US anti-trust authorities plan to scrutinise tha deal, this aspect seems unlikely to rank high among their priorities. In any case, international subsidy race.

their verdict is likely to be heavily influenced by the Pentagon's views, which reflect its own interests as a monopsony buyer primarily concerned with national security.

But the issue is of legitimate concern to Airbus, whose position could be seriously weak ened if the merger strengthened Boeing's ability to crosssubsidise civil aircraft. That, in turn, could unleash political pressures in Europe for renewed government aid for Airbus which the US has severely criticised in the past. Both out comes would be contrary to a free and efficient world market

These risks, and the global

nature of the commercial aircraft market, giva airlines everywhere a valid commercial interest in the Boeing McDonnell merger not leading to unfair competition. That can best be ensured by subjecting the merger to international antitrust scrutiny. The US authorities should invite competition hodies alsewhere, notably in Europe, to join them in vetting the deal. Such transatlantic co-operation has already worked well in investigationa into Microsoft and Nielsen and IRL the US market research firms.

In addition, the EU should urge the US quickly to resume negotiations in the World Trade Organisation on curbs on indirect subsidies for commercial aircraft production. US airlines have as strong an incentive as their counterparts abroad to press for rules to stop manufac turers using government funding unfairly to drive their competitors out of business. Such rules should also be in Boeing's long-term interest, if the alternative is the risk of a ruinous

# Sky's limit

pattern will be set for the intro- interest if Mr Murdoch (or anyduction of digital satellite televi- one else) should-use his control ion in the UK. British Sky over the digital gateway into Broadcasting is expected soon to decide which kind of decoder boxes to order for the projected launch of some 200 television channels next year. The first batch is expected to be relatively simple, carrying conventional television programmes. surely follow, to exploit all the computer-like possibilities of digital transmission, including interactive services such as

banking and shopping. When BSkyB has decided on the specification for decoders and placed orders with suppliers, other programme providers, notably the BBC and the independent channels, will be able to decide whether they want to negotiate to transmit their programmes via the same system. Alternatively they might seek a licence for the technology so that they can develop their own systems, either using the BSkyB

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decoder or an add-on module. The BBC continues to fear that it will be denied full and fair access to the technology, which has been developed within Mr Rupert Murdoch's owner of BSkyB. Certainly, it whistle near his mouth.

In the next few weeks, the would be against the public UK living rooms to block access

> The UK government has been discussing regulations with the industry since tha summer, and the final version is due to be published shortly. It will have to balance the public interest with the requirement that BSkyB obtain a fair return on its investment. Oftel, the telecommunications regulator, will have the task of ensuring that all programme providers can gain access to the Murdoch gateway on reasonable terms.

ing its scientific remit priority

over national interests. Adding

another bureaucratic layer

The second of Mr Fischler's

reforms would be to move res-

ponsibility for monitoring mem-

ber states' implementation of

food safety measures out of the

Commission's agriculture direc-

torate into a new, free-standing

agency. This would be modelled

on Europe's Court of Auditors,

and would need substantial

resources to carry out its job

properly. This proposal would

not avoid the current crossed

lines between the Commission.

which is supposed to ensure

By emphasising scientists'

could add to the confusion.

to competitors.

However, some in the BBC appear to yearn still for the days when it was the monopolist - of technology as well as airwayes. In the digital world it is far behind BSkyB, and it is More complex decoders will having difficulty coming to terms with the need for negotiations with a tough rival.

The regulations fall short of the BBC's demand that BSkyB should be required by law to licence its technology to competitors. But the new rules give Oftel ample authority to ensure fair play. The referee's record in keeping British Telecom onside News Corporation, 40 per cent suggests that he will hold his

# Brussels beef

of mad cow disease, or BSE, exposed serious flaws in food safety regulation and created widespread alarm. The response be to reform it directly by givof other EU nations and of the hprivate and Really European Commission only added to the confusion.

Mr Franz Fischler, the European agriculture commissioner. has correctly identified some of the most serious problems in protecting consumers. But it is doubtful whether his modest proposals yesterday for more Brussels-based controls would

avoid a repeat of the BSE fiasco. During the scientific debate, experts in the EU's standing veterinary committee too often wore their national hats rather than taking a dispassionate view. They and member governments also appeared to put farmers' interests before those of consumers. The implementation of measures agreed to control BSE was not monitored adequately by the Commission itself, not least due to its modest resources. Europe has a lot to learn from the US Food and Drug Administration, which is politically independent and commands consumers' respect.

strengthened scientific commit-

that rules are observed, and the member states, which are meant to police them. Mr Fischler proposes a

advice independent of the vets kept within bounds.

views over politicians, and farmers', Mr Fischler's proposals would be a move in the right direction. However, if consumer confidence is to be rebuilt, more radical reform of food safety supervision is needed in all EU member countries as well as Brussels. Only then will politi-cal interference with science ba tee to give the Commission

Swallowing McDonnell The UK government's handling committee. But since the vets By falling into the open arms committee seems to be the or is it jaws? - of Boeing, source of difficulties in the first McDonnell Douglas has finally place, the best solution would

> running battle in aviation In the 1920s and 30s William Boeing and Donald Douglas jostled for the top slot in the Secoling alphane business. Boeing even stooped to buying an early Donglas seaplane mader the pretext of using it to service his yacht - to get a close look at his rival's design. Their common inspiration was Glenn

sticcimbed to the longest-

Martin, founder of what is now letence giant Lockheed Martin. who taught Boeing to fly and gave young Douglas his first lob. Both companies have come close to nose diving since then In the early 1970s Boeing was nearly bought to its knees by the elephantine development costs of the jumbo jet. A few years

before, Douglas Aviation ran into turbulence before agreeing. to combine with the military minded, St Louis-based McDonnell Corporation. Donald Douglas Junior was edged out of the business following the merger, leaving

the McDonnell clan to provide

senior management; that

includes the present mild-mannered chairman John McDonnell, who has been roundly criticised for his indecisive style and whose future in the new company is up in the air. The infusion of outside blood two years ago in the form of chief executive Harry Storoccipher, a tough-talking former General Electric man, came too late to

reverse the strategic drift.
Being swallowed whole by its great rival is a sad and for the company responsible for the first round the world flight and the first aircraft to fly at twice the speed of sound. In the course of its 76-year history McDonnell Douglas has always made great play of celebrating corporate milestones on December 17, the anniversary of the Wright brothers' first powered flight Would have been nice to maintain the tradition by announcing the deal today - but

### Net on net.

is boss.

■ Israel's Benjamin Netanyahu is the latest world leader to venture into cyberspace, holding an on-line question and enswer session with nerds around the globe. The results of this venture into virtual democracy were at best mixed. Less than one-third of the 10,000 people who tried to call the Microsoft-NBC web site. managed to get through And Netanyahu had time to answer

only a dozen questions, partly because the session was the PM had to take an old-fashioned phone call from Yassir Arafat. The Palestinian president has, apparently, yet to discover the joys of e-mail. Besides: Netanyahu is hardly a dab hand with the keyboard; proceedings were slowed as he dictated his answers for his

secretary to type. Sounds like he

should stick to the sound-bite

and soapoox

year's Whithread

Goodbye sailor # The grubby business of transfer fever has hit the sea-fresh world of ocean yacht racing. In a mould-breaking move, UK cigarette maker Gallaher has coughed up a Boeing is in a hurry and Boeing six-figure sum to get top skipper Lawrie Smith on board for next

round-the-world challenge

Smith has been wooed out of his Whithread race contract with Swedish team EF - funded by an eponymous international language school - by Gallaber, due to be floated off by US parent American Brands; he will now, instead; take the helm of the 50ft Silk Cut. Gallahar's overall budget for the race is likely to be around 55m - 8 chunk of which will now go to EF for the loss of Smith. together with rive of his fellow

crew members. Smith says he's delighted to be leading a British crew under a British flag in the 32,000-mile marathon. EF may not initially have been quite so pleased, but it's wasted no time finding a San Francisco-based Paul Cavard, who recently secured the backing of the Netscape software business for his America's Cup challenge in New Zealand in 2000. The Whitbread

should help get him up to speed.

### French kiss

■ No sign of festive spirit in the British parliament, where mistletoe is the latest commodity to raise the ire of patriotic members. Euro-bashing Conservative Teresa Gorman called on Britons to refrain from kissing under French mistletoe this Christmas. Either opt for home grown versions of the parasitic plant or refrain from

spogging, was her advice.
"There are many good, healthy, sensible people who refused to buy French apples or French bread and who, I hope, will now refuse to buy French mistietoe, even if it means a little less intimacy over the Christmas period," she said. Male MPs on both sides of the political divide will be hoping she practises what she

### McDonnell Douglas Wide cabin tri-jet capable Some of the formidable range of aircraft of scating between 233 and 410 passengers Twin jet, seats Strategic air-lift, capable of carrying tanks or intercontinental flights Air superionty fighter which played a vital role in Gulf war Tank-busting helicopter used by US army and sold to the UK in 1995

# Cruising at dizzy heights

CH-47D Chinook

Boeing's takeover of McDonnell Douglas finds Europe's aircraft makers deeply divided, say Michael Skapinker and Bernard Gray

nell Douglas by Boeing should be seen as an opportunity rather than a threat by its rivals, a senior European airline executive said vesterday. The two US companies would he spending so much of the next year putting their organisations together and dealing with competition regulators that they would have little time to sell aircraft, he

But although there are enormous obstacles to the merger of the two companies, the observation was not entirely serious. The takeover of McDonnell Douglas, the top manufacturer of fighter aircraft, by Boeing, the world's diggest maker of civil aircraft, is widely seen as the precursor of huge changes in the world's aerospace and defence industries.

The merged company, which is to carry the Boeing name and be dominated by its executives, will be an overwhelmingly large presence in the civil aircraft market, -with more than 60 per cent-of. global sales. It will challenge Lockheed Martin for dominance of the US defence market. And if successful, it will make Europe's faltering attempts to consolidate its defence industry look feeble.

While the timing of the announcement was a surprise, the two companies have been talking for years. Aerospace industry executives believed McDonnell Douglas would have to find a partner and that its disappearance from civil aircraft manufacturing was merely a matter of time.

Boeing has long been dominant in the civil industry, with 346 orders last year. While McDonnell Douglas managed to edge Airbus into third place, winning 110 sales to the European consortium's 106, this was widely seen as an interruption in its long-term decline.

Its main problem is the small range of aircraft it offers for sale. Aircraft manufacturers believe to will be essential in future to offer airlines an entire family of aircraft, ranging from 100 seats to

systems from one manufacturer enables airlines to make savings on training, maintenance and the purchase of spare parts.

737-500

Aircraft manufacturers are particularly keen to compete in tha market for expensive aircraft of 400 seats and more, where Boeing has a monopoly with its

Boeing is trying to increase its dominance of the large aircraft sector with a 550-seat "stretched" version of the 747. Airbus plans 375-seat and 550-seat aircraft to add to the 335-seat A330.

McDonnell Douglas, however, has failed in its attempt to extend its range beyond its 300-seat MD-11. The company earlier this year abandoned plans to build a 400-seat version of the MD-11.

And Mr Harry Stonecipher, chief executive of McDonnell Douglas, said at the Farnborough air show earlier this year that he did not believe Boeing would ever build its 550-seater. But by the beginning of this month, Mr Stonecipher had put these reservations aside, agreeing not only that Boeing would build its "stretched" 747 but that McDonnell Douglas would be a snbcontractor on the programme.

That announcement, followed swiftly by Sunday's unveiling of the Boeing takeover, signalled McDonnell Douglas's demise after 76 years as an independent maker of civil aircraft.

One immediate advantage of the merger is that Boeing will be able to make use of McDonnell Douglas engineers. With demand from carriers rising, Boeing is increasing its output of Boeing 737s from 10 a month in January to 17 a year later. There will also be increases in production of the 747 and the twin-engined 400-seat 777.

sbort of skilled staff and has been advertising for engineers and designers in Europe. McDonnell Douglas engineers and designers will be moved to Seattle to work in the merged company.

The company is desperately

OBSERVER

he takeover of McDon- 550. Buying aircraft with com- one of the world's three manufac- F-15, AV-8B Harriers and training are proving almost impossible to mon electronic and operating turers of large aircraft, it will not aircraft and helicopters will gensubstantially increase the competitive pressure on Airbus. This is because most recent contests to supply aircraft to airlines had become straight fights between Boeing and Airbus.

McDonnell Douglas managed to defeat Airbus last year in the contest to sell aircraft to ValuJet, the cut-price US carrier, ValuJet agreed to be the launch customer for the McDonnell Douglas' 100seat MD-95 aircraft.

But other keenly-fought contests - such as those to supply aircraft to Singapore Airlines, Malaysia Airlines and USAir hava been straight fights between Boeing and Airbus.

However, aviation analysts say they doubt the takeover will substantially reduce price-cutting in the airline market. Competition between Boeing and Airbus will remain fierce, with airlines attempting to play them off against each other on both quality and price.

ritish Airways and Singapore Airlines, the two most likely customers for new generation 550-seat jets, are refusing to commit themselves to Boeing's new aircraft until they have seen what Airbus has to offer.

The implications of the merger for the global defence industry are more significant. The US now has two giant military aircraft makers.

Lockheed Martin manufactures the F-16 light fighter, has the lead role on the next-generation F-22 top-of-the-line aircraft and is a contender for the \$100bn (£71bn) Joint Strike Fighter. Boeing will now have an even

bigger range. It will have a subsidiary role on the F-22, half of tha V-22 Tiltrotor for the US Marines, the F/A-18 for the US Navy and the giant C-17 transporter.

It is also a contender for the

erate income from spares and upgrades for years to come.

Within the US, these two companies will now dominate largescale equipment programmes for the Pentagon, They will be the two groups which have the overall contracting skills to bring together the increasingly complex web of sensors, computers and weapons in aircraft and make them perform together.

There is likely to be further rationalisation of second-tier and third-tier suppliers which supply components for these giants. Recently, Hughes announced that its radar and missiles business was up for sale, for example.

Both the giant US military aircraft makers now have a turnover more than twice that of their largest European competi-tors. The European military aircraft industry, by contrast, remains fragmented and almost

the need for change, but melt the F-16 will also dominate a away before hard decisions are \$8bn fighter order, and the example - and ought to be comparatively easy - to merge the military businesses of British Aerospace and Daimler-Benz Aerospace, since both work on the Eurofighter and on Airbus civil aircraft. Yet nothing is likely to happen until production contracts for the Eurofighter are finally signed.

It is even harder to rope in the French defence industry - by and large it is working on different programmes, having opted out of Eurofighter in the 1980s. Worse. the French industry is still largely state-owned and badly in need of restructuring.

The privatisation of Thomson, the defence and electronics group, has been derailed - showing that getting even profitable defence companies into the private sector can be surprisingly difficult. The kind of interna-Joint Strike Fighter. And its tional mergers necessary to comextensive sales of older-genera- pete with the US, with the loss of Whila the merger eliminates tion models such as McDonnell's sovereign control that implies,

The hiatus gives the US giants an opportunity to pull even further ahead of Europe - an opportunity they seem keen to use. Within Europe, the US is already making headway. Britain is putting \$200m into the US

Joint Strike Fighter because it hopes it will produce a replacement for the Royal Navy's Sea Harriers, Countries such as Norway. Belgium and the Netherlands, which bought the F-16 from the US, might also enter the Joint Strike Fighter project. Daimler-Benz Aerospace bas worked with Rockwell of the US on some technologies.

Outside the EU and the US, European fighter manufacturers are being squeezed.

Saab of Sweden and British Aerospace thought they bad a marketing agreement sewn up to manufacture the Swedish Gripen fighter aircraft for Hungary, only to be undermined by a cheap Informal talks between most of offer of F-16s from Lockbeed Marthe defence companies recognise.. tin. In the United Arab Emirates, taken. It would make sense, for French manufacturer Dassault will get a share only if the US is reluctant to release some sensitive technologies to the Gulf state.

> The result may be that Europe's defence industry is forced into ever-smaller and less attractive niches, selling aircraft or technologies to countries which the US does not care to hack. And as the export base shrinks, the cost of producing smaller numbers for the domestic market rises. The four-nation Eurofighter and French Rafale could then be the last generation of fighters designed in

> Europe. The complicated process of merging organisations as large as Boeing and McDonnell Douglas might give Europe's aerospace and defence companies a breathing space. By this time next year, however, they will probably be up against a more formidable competitor than they have ever

# Financial Limes

### 100 years ago Yankee Brewery Wars

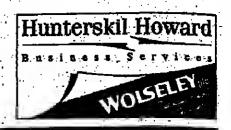
Most of the important American brewery companies in which British investors are interested have now published their annual cousins have taken to record beating in all departments, and in the brewing trade they have succeeded in hringing competition to a fine art. A year ago, the great companie having Chicago for their centre of operations were indulging in the costly luxury of a beer war, one result of which was that in that highly favoured city it was said to be cheaper to drink beer than

### **50 years ago** Interests In India

British commercial interests in India are anxious to know how political developments will affect their position. Pandit Nehro has just told the Associated Chambers of Commerce in Calcutta his views, and, outwardly, they seem realist enough. Two countries so closely associated for 150 years cannot abruptly sever trade relationships without damage Anyhow, there should be room for both sets of interests. This is reassuring as far as it goes, from a leader who has just called for a resolution favouring an independent republic.

Rowe & Maw

LAWYERS FOR BUSINESS



# Compensation award MPs hit at for Kuwait oil fires

By Frances Williams in Geneva

International arbitrators have recommended compensation of six months initially but renew-\$610m for Kuwait Oil Company for the cost of putting out oil well fires started by Iraqi troops at the end of the Gulf

Western diplomats said yes-terday they expected the award to be endorsed today by the United Nations Compensation Commission (UNCC), the UN body administering Gulf war compensation claims, at during the seven-month Iraqi the end of a two-day meeting occupation of Kuwait.

The Kuwait Oil Company filed a claim for \$950m three years ago. The three neutral judges appointed by the commission bave proposed that the remaining \$340m be considered under another claim

The award, the first and biggest corporate claim to be adjudicated by the commission, comes sbortly after agreement between the UN and Iraq bombing, has reportedly lobb-

**McDonnell** 

takeover

ket for some time.

Continued from Page 1

tions for competition. Airbus

said McDonnell had not been a

force in the civil aircraft mar-

"Most of the big contests are

Airbus against Boeing anyway.

We're used to facing Boeing.

The terms of competition won't change," Airbus said.

However, Mr Gunter Rexrodt.

the German economics minis-

ter, insisted that developments

in the US must hasten the con-

version of Airbus into a con-

"Airbus Industrie and its

partners must agree as soon as

possible on an optimal struc-

ture that will allow Airbus

Industrie to match its Ameri-

can competitors as a powerful,

integrated European enter-

Chinese shares

go into freefall

cent since April 1 and Shang-

Cbina's stock exchanges,

under the direction of the

China Securities Regulatory

Commission, announced on

Friday they were imposing a

10 per cent limit on share and

indices movements in a single

Those limits were invoked

Shanghai's B-shares for

foreign investors are down

more than 30 per cent in one

"Investor confidence was

totally destroyed," said a

Shanghai-based broker.

yesterday to stop the markets

going into freefall.

hai has leapt 120 per cent.

Continued From Page 1

on terms for implementing the oil-for-food" deal.

Under this arrangement, for able, the UNCC will receive 30 per cent of Iraq's oil export revenues, equivalent to \$100m

Individual claimants have first call on this money. Because of lack of funds, the commission has so far paid out just \$13.45m to nearly 4,000 people wbo suffered serious injury or lost a close relativa

A further \$630m in individual claims is also due to be approved today, bringing the total so far awarded to nearly \$3bn. The UNCC hopes to start paying these claims in March. About 700 oil wells were set alight by Iraqi troops during their retreat from Kuwait after defeat by a US-led coalition of western and Arab forces. Iraq which bas argued that the fires were the result of Allied

ied to delay a UNCC decision

Bagbdad complained last year that the UN embargo had deprived it of funds to mount a proper defence, and walked out of oral hearings when the panel refused a suspension to give Iraq more time to prepare

The 15 members of the commission, which has the same country make-up as the UN Security Council, considered the judges' report yesterday but decided to continue their discussions for a second day. Western diplomats said they hoped a final decision would come today despite the concerns of some commission

The UNCC has received total claims worth nearly \$200bn from 2.6m individuals, compa nies and governments. It has already dealt with

over 2.2m individual claims but says it will take up to five years to sift through the

# **Key Japanese** MP quits main

By William Dawkina in Tokyo

Japan's fragmented political opposition suffered a further blow yesterday when Mr Tsutomu Hata, a former prime minister, announced he was leaving the main opposition party to form a rival political

Mr Hata, one of the three most powerful figures in the New Frontier party, the main opposition party, had fallen out with Mr Ichiro Ozawa, the NFP's president.

His departure should benefit the minority government of prime minister Mr Ryutaro Hashimoto's Liberal Demo-

The LDP is attempting to increase in sales tax next year. as well as implementing ambitious financial market reforms and streamlining the bureaucracy. The party will today announce plans to reduce government controls and business regulations in an attempt to stimulate further economic

Political observers believe at least 10 NFP members of par-liament will follow Mr Hata and that be might even attract the support of a third party baron, Mr Morihiro Hosokawa,

another former prime minis-These manoeuvrings would leave Mr Ozawa almost iso-

opposition party

Soka Gakkai. Mr Hata and the NFP president have feuded over the distribution of the party's jobs, including that of leader, since the NFP was founded two years ago, with a promise to abandon old-style factional politics and promote a more open

system of government. Strains between the two men reached breaking point after the NFP's poor showing in a general election in October, when it won only 153 seats, seven fewer than in the previous parliament.

The ruling LDP won some NFP-held seats, helping it return to one-party government for the first time since it carry out an unpopular was thrown out of power in 1993. after of power.

Mr Ozawa and Mr Hata used to be senior members of the LDP, and it was their decision to leave the party that led to its 1993 election defeat, after which it spent a year in oppo-

Mr Hata said yesterday he would work with other opposition groups, including the newly formed Democratic party, which co-operates with the government case by case. Japan'a opposition now includes four main groups, not including Mr Hata's planned

Mr Hata said yesterday he lated, dependent on the sup-port of an influential but planned to set up a new group

# Bank of England's role over **Barings**

By James Blitz,

One of the strongest attacks yet on the way the Bank of England handled the collapse of Barings will be launched tomorrow by an influential committee of MPs.

They will question whether it should retain supervision of the UK banking system.

The Commons Treasury committee is publishing a report after nearly two years of taking evidence from bankers and regulatory authorities around the world.

It will say there was a string "weaknesses" in the way the Bank of England handled the crisis and that "there may be a case" for an independent banking supervisor.

In recent months the governnent has rejected this idea. The report marks a significant shift in the committee's view. Two years ago it argued there was "no overwhelming case" for an independent

The committee will accuse the Bank of allowing its super-visory system to break down in three areas:

"the evaluation of internal controls at banks";

 "internal communication at the Bank of England itself";

 "the application of existing Bank of England rules".

The report says there may be a conflict of interest between the Bank's ambition to make London the most competitive financial market in the world and its role as supervisor of the UK system.

The report may also insist that all responsibility for financial regulation should be consolidated under the Treasury, depriving the Department of Trade and Industry of any role.

"Barings was a bank with a large securities operation attached," said an MP on the committee. "We believe that, as financial institutions become more hybrid, it makes more sense for their regulation to be consolidated

arm of government. The committee is also highly critical of the Bank of England's refusal to co-operate with an investigation by the Singapore monetary anthoritles' into how Mr Nick Leeson losses from the merchant

In evidence to the committee, the Bank argued that there had been legal barriers to international co-operation with the Singapore authorities particularly over tha

exchange of information. The report says the government ahould seek to amend banking legislation so it does not impede such co-operation.

## THE LEX COLUMN Reluctant dollars

Japan's much-touted wall of money has been much in evidence recently: between April and Octo ber, Japanese investors bought \$33bn of US securities net, double the amount for the whole of last year. Ironically, although many of these investors have profited handsomely, they have hardly been enthusiastic buyers. It is simply that the dismal domestic alternatives - cash rates of around 1/4 per cent, government bond yields down at 2.4 per cent and a stagnant Nik-kei - left them with little alterna-

This backdrop looks unlikely to change soon. US cash rates, for example, still look attractive compared with what is on offer in Japan. But there are reasons for doubting that capital flows to the US will continue at the rates recently seen. Not only have US share and bond prices risen a lot, but the yen has also weakened. Wall Street is less attractive at Y114 to the dollar than Y80. The risk of exchange rate losses is greater, given that the yen has already weakened so much.

The exchange rate outlook is also exacerbated by signs of policy frictions with the US. The US would like Japanese authorities to boost demand, but fiscal plans currently on the table will cut final demand by between Y15 trillion (million million) and Y20 trillion. Japan'a fastgrowing bilateral trade surplus, spearheaded by car exports, is also a growing irritant. This situation cannot persist for long without the US again being tempted to resort to dollar devaluation. So long as this prospect remains, Japanese will remain reluctant investors.

### American Express

Mr Harvey Golnb, American Express's chairman, recently said the group needed a maniacal focus on expanding the business. Perhaps he meant gargantuan: his merger approach to Citicorp would, if successful, have produced a consumer financial services behemoth. The appeal is obvious. Amex would have gained the opportunity to sell to Citicorp's US and international customer base, potentially releasing it from its problems of stagnant revennes and falling market share in the global card business. Citicorp, meanwhile, might have been able to cross-sell services to Amer's customers. It would also, presumably, have liked to gain control of Amex's asset-management business.



The fact that talks failed is hardly surprising. Price may have been the stumbling block: Amex's market capitalisation is about \$26bn; with a premium on top of that, even Citicorp would need to think twice. Marrying the two brands would also have presented problems, as would Citicorp'a existing ties with

Visa and Mastercard. Having failed to hit the home run. Mr Golub will probably have to set-tle for a more methodical progress round the bases - something he is good at. The past 18 months have seen a stream of plans, including allowing banks in other countries to issue Amex brand credit cards and co-branding with groups like Hilton and Delta. Of course, it is possibla another partner may present itself, but size considerations will ensure this is a small list.

There is a good reason, and a more dubious one, for Bass's sale of 61 of its US hotels. The good reason is that owning hotels is not neces-sary, at least in the US, to support Bass's Holiday Inn business which is essentially a tranchising operation. Selling the hotels will allow Bass to focus on the core franchising business. That said, it would not be surprising if Bass redeployed some of the cash to buy hotels in Europe. Given that the Holiday Inn brand is not nearly as well-known as in the US and that European hoteliers are therefore not rushing to sign up as franchisees, it may make sense to prime tha pump by owning more hotels itself in the region.

The sale price - \$659m for hotels which made \$69m operating profits niches into an elegant quilt.

last financial year - is not stunning. But if Bass had kept them, it would have had to invest at least \$75m on refurbishment. Moreover. the purchaser is converting 10 of its existing hotels to the Holiday Inn brand, bringing an extra \$4m a year in franchise fees. Add all that in and the price is certainly creditable

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The more dubious reason for the sale is that Bass thinks US hotel assets are near their peak, while European ones are rising. Maybe. But shareholders have little reason to suppose Bass will be able to spot the peaks and troughs of the cycle with greater skill than anybody else. Recycling capital from the US to Europe will be fine if done for good strategic reasons. Otherwise, the management should hand the cash back to shareholders via a spe-

### Insurance broking

Lloyd Thompson's £173m acquisition of JIB is hardly in the league of Aon's \$1.2bn acquisition last week of Alexander & Alexander Services. But it does show that the insurance broking industry is finally grap-pling with its uneconomic structure. Margins are under pressure due to excess capacity and customers have increasingly been cutting out the broker middleman. Mergers and cost-cutting among the biggest brokers - like Aon and A&A therefore make abundant sense.

With a global superleague emerging, smaller brokers are having to work hard to carve out a role for themselves. Hitherto, Lloyd Thompson has sensibly chosen to focus on specialist areas like energy insurance and aviation reinsurance which are less exposed to the vigor ous competition. Taking over the larger JIB - which has an extensive network of offices in Asia - could put it in a more awkward strategic position. The new Jardine Lloyd Thompson (JLT) will be too big to be a niche operator, but too small to compete across the board with members of the superleague.

In the short run, that may not matter. Lloyd Thompson's wellregarded management has plenty to do to improve the margins of JIB's underperforming London business. It is also probably better to have a multi-niche strategy than to try to offer an all-singing, all-dancing ser-vice from too small a base. But, longer term, JLT may find it has to make further acquisitions if it wants to knit its patchwork of

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### **Europe today** Most of northern Europe will have low cloud. The UK will be mainly cloudy. Ireland and western Franca will have cloud and rain. The Benelux and western and southern Germany will have persistent tog and soma drizzla. Southern Scandinavia and Russia will be cold with snow. Spain and Portugal will exceeding 15C, but cloudy with heavy rain in the west Italy and parts of the Balkans will have some showers. South-eastern Europe will stay dry with sunny periods. Five-day forecast North-west Europe will have cloud and heavier rain from Wednesday. It will be mild at first but temperatures will drop at the end of the week.

FT WEATHER GUIDE

Portugal, France and the Alpine countries will also have rain. The south-east will stay mainly dry.

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No global airline has a younger fleet.

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# **FINANCIAL TIMES**

# COMPANIES & MARKETS MODO

**OTHE FINANCIAL TIMES LIMITED 1996** 

Tuesday December 17 1996

### IN BRIEF

### **Mannesmann loses Omnitel** opening

Mannesmann of Germany last night lost the chance to increase its stake in Omnitel Pronto Italia, the Italian cellular telephone company, when Bell Atlantic International of the US exercised its pre-emptive rights on the holding. The move by Bell Atlantic overrides an agreement made last month under which Olivetti, the troubled Italian information technology company, was to sell Mannesmann 8.26 per cent of Omni-tel Sistemi Radiocellulari, which owns 70 per cent of Omnitel, for L432.5bn (\$283m). Page 22

Bass lets go of N American Holiday Inns Bass is to dispose of most of its Holiday Inns in North America in a cash and equity deal worth \$640m. The UK-based brewer and hotels company is to take a 36 per cent stake in the buyer Dallas-based Bristol Hotel Company. Page 28

ASW boosted by sale of recycling unit Shares in ASW rose 13 per cent after the financially troubled steelmaker announced the £33m (\$54m) cash sale of its metals recycling division in an effort to reduce debt. The buyer is Philip Environmental, e Canadían industrial services company. It also announced that 200 more jobs would go in its manufacturing operations in the UK and France, leaving e total of 2,600 by next summer. Page 23

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AND BUREAU PARTIES

Granada U-turn on Méridlen hotels Granada Group, which planned to dispose of the Méridien chain during its £3.9bn (\$6.39bn) hostile takeover of Forte a year ago, now plans to double the number of rooms under the brand internationally to 50,000 by 2000. Page 23

Newman Tonks rejects £172m takeover Newman Tonks, Europe's largest architectural hardware company, said it had rejected a £172m (\$282m) takeover offer from FKI, the acquisitive UK engineering group. The Midlands based group, a leading manufacturer of door handles, locks and hinges, described FKI's 134p-a-share cash offer as opportunistic and unwelcome. Shares in the company rose 27p to 129%p - valuing it et almost £166m. Page 28

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# Former Billa supermarket head enters fray as rival offer splits government

# Ex-retail chief bids for Austrian bank

Mr Karl Wlaschek, a one-time piano bar player who sold his Billa supermarket chain for joined the race to win control of Creditanstalt, Austria's second biggest bank, with a lastminute bid for the state's added to confusion over the Schl4.7bn (\$1.3bn) stake.

Mr Wlaschek, 79, who opened e Viannese perfume store in 1953 and built his busiders who met yesterday's dead-

government's 19.9m ordinary shares. He joins Bank Austria, the country's biggest bank, and a consortium led by EA-Sch15bn last summer, has Generali, the Austrian arm of an Italian insurer, who had already indicated interest. The bid by Mr Wlaschek has

stalt. Last week, Bank Austria appeared to be the front runner. However, its bid has run ness into Austria's biggest into political problems and has retailer, was one of three bid-split Austria'e ruling coalition split Austria'e ruling coalition

line for offers for the Austrian conservative People's party. Social Democrats, will have On Friday the People's party and Mr Jörg Haider's Freedom party, the main opposition party, joined forces to pass a parliamentary resolution calling on the government to conduct a genuine privatisation of

Creditanstalt. They regard the Bank Austria offer as representing a back-door renationalisation. since the majority of Bank Austria's shares are controlled by the state sector. They are also worried that Bank Austria, which has ties with the

too much power after the take-

The reputation of Austrian big business has been the perception that the top jobs in industry and finance are shared out along political

Mr Viktor Klima, Austria's finance minister, had hoped the political parties would sink their differences to settle the privatisation of Creditanstalt, which has dragged on for

However, the decision of the People's party to join forces with the controversial Mr Haider, a rising political force in Austria, has raised the political stakes considerably. The worry for Mr Klima is that if he chooses the wrong bidder for Creditanstalt he could precipitate a collapse of Austria's

coalition government Analysts believe Bank Austria has submitted the highest bid and say its offer has the best commercial logic. yesterday. Yet the bettle for control of Creditanstalt is not just about

has no overt political affiliations, could provide an independent solution to the government's political problems. But it would be highly unusual for control of a commercial bank to pass into the hands of a private individual. which suggests Mr Wlaschek will have to muster outside support if he wants to be taken seriously. Creditanstalt shares closed Sch11.9 higher at Sch737

Final burdle, Page 21

# Argentaria set for full sell-off in 12 months

Spanish bank's reform of strategy impresses markets

By Tom Burns in Madrid

Argentarie, the Spanish banking group that is 25 per cent owned by the government, will be ready for complete privatisation in a year, Mr Francisco González, its chairman, said yesterday. Shares in the group have

risen 6.5 per cent since last week's announcement of a \$323m pre-tax charge to restructure its balance sheet and a management shake-up. Yesterday they finished et Pta5,540, up Pta170. Analysts have praised the group's new strategic focus.

Mr González, e former top Madrid stockbroker who was appointed in May by the new government, wants to have between three and four" instibanking group with control of about 10 per cent of its equity before privatisation. International institutions

own some 35 per cent of Argentaria's equity. Mr Gonzalez has been meeting fund managers in the US this month to explain the bank's strategy, and moves on to London later this week. The government had wanted

an early sale of its 25 per cent stake in Argentaria but weak six-month results announced in October by Mr González

under his tough new accounting principles brought the share price down and forced a privatisation-strategy rethink. "The reference institutions l have in mind will be partners rather than shareholders and I have to tell the true story ebout the bank. Credibility is

the key," Mr González said. The \$823m charge, about half the group's expected pretax profits this year, is designed to prepare the bank for e successful disposal.

Mr González said Argentaria had been too dependent on non-recurring income and that its margins had become excessively penalised by lower interest rates. By September he was convinced that profitability was unsustainable over the mid-term and thet drastic "The group had a short-term

strategy and now we are giving it a medium and long-term strategy," he said. "This is a new form of banking in Spain; no other domestic bank has taken e charge the way we have done when it wasn't forced to do so." Mr Juan Cueto, chief analyst

at Madrid brokers Ibersecurities, said: "Argentaria is swap ping profits today for profits tomorrow. It's the way banks do things in the US and [is] unusual in Spain."





Buying and selling in Australia; Paul Collins (left) of Brierley Investments and Conrad Black, who controls Hollinger

# Hollinger to sell Fairfax stake

By Bethan Hutton in Sydney

Mr Conrad Black's Hollinger group is to sell its 25 per cent stake in John Fairfax Holdings, the Australian newspaper publisher, to Brierley based investment group.

The deal comes et a time when the future ownership of Fairfax - publisher of The Sydney Morning Herald. The Age and the Australian Financial Review - has been the subject of considerable speculation, and Australia's media ownership rules are under review by the government.

Mr Black has made no secret of wanting overall control of Fairfax. Australia's current foreign media ownership rules limit him to a 25

per cent stake but there is no e rate of up to 3 per cent in six the government is more symguarantee they will change. Mr Peter Costello, Australia's treasurer, said yesterday that the federal government had no objection to the deal, because it essentially involved

Brierley Investments is to pay A\$447.1m (\$857.5m) for 20 per cent of Fairfax ordinary shares and 18 per cent of the debentures, or A\$2.82 per share or debenture, through its 98 per cent-owned subsidiary, Australian Consolidated Investments. It has agreed to buy e further 5 per cent of the ordinary shares at the same price, subject to Fairfax shareholders' approval. Even without that approval, under Aus-

tralian law Brierley could

increase its stake gradually, at

Price Waterhouse

the shares are held by Daily Telegraph Holdings, a Netherlands subsidiary of The Telegraph Group, the UK newspaper publisher owned by Mr Kerry Packer would like to merge Fairfax with his Pub-

months. At least 20 per cent of

lishing and Broadcasting Lim-ited, which owns 14.9 per cent of Fairfax, but is prevented by current media regulations. In September Fairfax denied The Telegraph was seeking e buyer for its shares. But in

November Mr Black said be would sell if he could not increase his stake. He has not waited for the

outcome of the media ownership review, but there have been strong indications that papers in the US and Canada.

pathetic to Mr Packer's case for relaxing cross-media ownership rules than to lifting the limit on foreign ownership. Mr Peul Collins, Brierley

looked forward to being "a supportive long-term shareholder in Fairfax", hut local analysts saw the move as a short-term investment calculated to profit from the battle for control of Fairfax if media rules are relaxed. Brierley Investments has no history of long-term interest in newspapers or other media.

Hollinger plans to use the proceeds to reduce debt in some of its businesses which include several hundred news-

# MGAM to pay investors £200m over Young affair

By John Gapper in London

22

23

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http://www.FT.com

egement will this week embark on the next stage of its costly effort to repair the damage of the Peter Young affair by announcing it intends to pay about £200m (\$328m) compensation to some 90,000 inves-

The UK fund management company owned by Deutsche Bank will set out the compensation terms agreed with Imro, the investment management regulator. The money will compensate for losses caused by mismanagement of three unit trusts.

Morgan Grenfell Asset Management, which asked five

discovering the deception, criminal offence. faces e fine of more than £1m Morgan Grenfell Asset Man- from Imro early next year. The compensation arrange-

ments will bring the total cash put in by Deutsche Bank to about £400m. The figure includes £180m injected in September, for which Deutsche gained a portfolio of relatively lowly valued securities.

The compensation, which Morgan Grenfell will calculate for investors, will make the affair the most costly upset to e unit trust manager since the industry was founded in the

Mr Young, who was discovered to have invested a large part of the £1.4bn in the funds through unlisted holding commanagers including Mr Keith panies in Luxembourg, has theless b Percy, its former chief execu-been sacked by Morgan Gren-later falls.

tive, to leave in October after fell, but not charged with e Although the Serious Fraud

Office is making inquiries, investigators have been hampered by their difficulty in pinning down the ownership of some Luxembourg companies.

Morgan Grenfell has been

working with Imro to calculate the damage suffered by investors who lost money when the value of the three funds fell earlier this year as many of Mr Young's investments in technology companies lost money. Although many investors in effect gained falsely from rises in funda' value up to December

1995, as Mr Young decided to pump capital into his chosen technology companies through Luxembourg, they will nonetheless be compensated for

# **Busang gold stakes proposed**

but its share price has fallen

However, the agreement

with Barrick appears to have

taken the wind out of Bre-X

shareholders' sails. Mr Dan

Leonard, senior vice-president

eble Bre-X shareholder, said

Barrick and Bre-X have indi-

cated their proposed deel takes

deal were too great.

markedly in recent months.

By Bernard Simon in Toronto

Barrick Gold, the Torontobased gold producer, is likely to own about 67 per cent of Indonesia's vast Busang gold deposit under a deal submitted to the Indonesian ministry of mines for approval yesterday.

The rest of the property, expected to be developed into one of the world's biggest gold mines, would be split between Bre-X Minerals, the small Canadian exploration group, with 23 per cent, and the Indoet Invesco Funds Group, a sizenesian government the risks in trying to derail the

The proposed deal follows Indonesia's demand last month that Bre-X, which controls exploration licences to Busang, Sper Agrangace 11.65 - 0.85 Tool Talestone 30.50 - 3.25 negotiate a deal with Barrick the form of e joint venture. to speed its development. Bre-X shareholders may also indonesia argued that Bre-X receive a special class of share, did not have the experience or giving them an extra stake C\$20.15.

capital to develop Busang. in profits from Busang. Bre-X shareholders, who Barrick, already the largest gold producer outside South were hoping the company Africa, is also expected to put would become the target of a up the capital for construction bidding war, have strongly criticised Indonesia's intervenof the Busang mine, put at tion, Bre-X has a market value \$1.3bn-\$1.5bn. of close to C\$4.8bn (\$3.55bn),

Busang, located in east Kalimantan, is estimated to contain et least 57m ounces of gold, and possibly more than 100m. If all goes to plan, the Busang mine will come on stream about 2000.

Barrick said the Indonesian euthorities would respond to the proposed deal "in due course". The government is under pressure to give its approval with minimum delay. Barrick shares gained 65 cents to C\$39.45 in early trading in Toronto yesterday. Bre-X was down 85 cents at

British Rail The proposed sale of a call centre business British Railways Board (BRB) invites expressions of interest in the proposed sale of a significant part of its existing passenger enquiry call centre operations. The business will provide a telephone call centre service for passenger enquiries in its Midlands and North West contractual zone which will include: Timetable enquiries Fare enquiries With its main call centre in Newcastle and other centres in the zone, the business is expected to handle an estimated 12-14 million calls per year from its contractual zone of operation (national Expressions of interest demand is estimated as at least 46 million calls hould be made to: John Van Ingen Further information will be made available to suitable enquirers in due course following a confidentiality undertaking. This advertisement is issued by the British Railways British Railways Board Board and has been approved solely for the purpose of Section 57 of the Financial Services Act 1986 by Eusion House Price Waterhouse who are financial advisors to BRB. 24 Eversholt Street Price Waterhouse is authorised by the institute of London NW1 1DZ Chartered Accountants in England and Wales to can'y on investment business. Tal: 0171 320 0405 Fax: 0171 957 1114

# A \$50bn colossus with only \$1bn of net debt

It was the deal that Wall Street nearly \$50bn and net debt of only companies at \$5.5bn next year, had been waiting for. Mr Philip \$1bn. No wonder Moody's Inves-Condit, Boeing chief executive, tors Service promptly said it was finally reeled in McDonnell Doug- considering lifting both compalas over the weekend - and was nies' credit ratings yesterday. rewarded with a \$5bn leap in the companies' combined market value when the stock market

opened yesterday. the numbers involved, he is set cal commercial aircraft market to create a colossus with the experiencing a surge in orders, financial resources to dwarf even cash flow is likely to climb its biggest competitors.

The financial power of a comhined Boeing and McDonnell bank which advised McDonnell Douglas can be summed up sim- Douglas on its sale, estimates the ply: a market capitalisation of combined cash flow of the two

Equally impressive will be the cash flow that this new aerospace and defence group can generate. With \$1bn of savings pencilled in To judge by an initial review of for the short term, and the cycli-

J.P. Morgan, the investment

before interest, taxes and depreci-buy-backs for two years or more ation, on revenues of \$48bn.

That leaves Mr Condit with an enviable problem: how to put to good use the cash mountain that will quickly begin to pile up. The most obvious answer - buying back shares - will not be open to

Boeing plans a so-called pool-

ing of interests, a tax-free transaction in which one company acquires another for stock and simply pools the two companies' balance sheets, avoiding the creation of goodwill.

Under US tax rules, such deals

a position that was reiterated last year, when a planned \$10hn merger of First Interstate and

First Bank System was scotcbed

after the two companies' buy-

back plans failed to win approval. Nor does a sharply higher dividend seem likely. McDonnell Douglas shareholders are already being rewarded in the merger with a dividend that will be more than double what they currently

It is also difficult to see the company mounting any other large acquisitions. Boeing yesterHughes Electronics, the latest CS First Boston, who advised nues fall by a quarter since the defence business to come on to Boeing on its acquisition. the auction block.

With some 45 per cent of the two companies' combined reve- the earnings impact of the nues last year coming from the McDonnell Douglas acquisition defence and space businesses, a as with its cash effect. purchase of McDonnell Douglas would put Boeing well on the share price has trebled in the bringing greater balance to its itself out of a tail spin, in the

cycle in history, this will provide a major balancing effect on the against the background of a con-

cracking line in rbetoric,

even if it is occasionally just a little inconsistent.

At the Paris Air Show in

1995, for instance, to the

amazement of the rest of the

near-suicidal aerospace industry, the McDonnell Douglas chief executiva said

that if the company was not

already making airliners, he

would want to get into that

market. A little over 12

months later, McDonnell

decided it could no longer compete in wide-bodied jets

and abandoned plans for a

large competitor to Boeing

Show this year, Mr Stoneci-pher was asked whether the

\$100bn Joint Strike Fighter

programme for the Pentagon

would determine wbo eur-

vived in the fighter husiness. He shrugged and said, "only

until the next aircraft," A

month later he rowed back

from that and called the JSF

competition a "must-win"

contract for McDonnell.

Unfortunately, a month after

Now if he is to become

more than a ghost in the

Boeing machine, he will

ful with snch throwaway

At the Farnborough Air

and Airbus.

that, it lost,

Wall Street's enthusiasm yesterday had as much to do with

The St Louis-based company's way to achieving its goal of past three years as it has pulled process halving its workforce and With Boeing already on top of lifting its operating profit marthe largest commercial airline gins to a healthy 12 per cent. That feat has been achieved

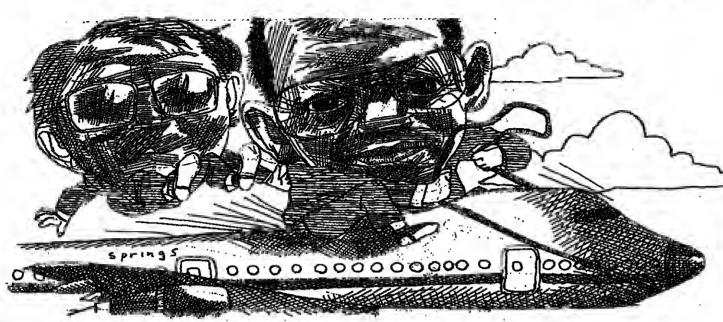
Crunchy Stonecipher

cannot be followed by hig stock day ruled out a hid for tha military side," said Mr Craig traction of US defence spending buy-backs for two years or more - defence electronics operations of Oxman. a managing director at which has seen McDonnell's revestart of the decade.

But even after that run, its shares vesterday were trading at only about 15 times its expected earnings for 1997, compared with a multiple of some 20 times at Boeing.

The prospects for Boeing's earnings per share sent airline industry analysis scurrying to raise their earnings estimates yesterday, contributing to the run-up in the shares.

Richard Waters



Harry Stonecipher's 'hard man' management style may sit uneasily with the bureaucratic ethos at Boeing, where Philip Condit holds the reins

# Condit sets course with shopfloor poetry

Mr Philip Condit, Boeing's chief also chair the merged company, executive, has had a long time to think about how the company could aerospace and defence manufacyears ago and has never worked for anyone else.

An engineer hy training, Mr Condit, 55, constantly stresses the need to look 20 years ahead and to make sure that employees share his 777, a twin-jet aircraft which began

He was appointed chief executive in April, only the seventh person to Universities of California and Princehold the position since the company ton. Mr Condit prides himself on his was formed in 1915. He is due to take ability to communicate with shopover from Mr Frank Shroniz as Boe- floor workers. The company has had ing chairman in February. He will its industrial relations problems, rather than relying on trial and

American Express Bank Ltd.

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Dresdner Bank AG, Loudon Branch

National Westminster Bank PLC

December 1996

Mr Condit's career at Boeing has seen him involved in some of the

become the world's pre-eminent group's most successful projects, as well as those that never made it out turer. He joined Boeing more than 30 of the hangar door. His first job was as an aerodynamics engineer on the US attempt, later ahandoned, to build a supersonic jet.

His biggest success was as head of the programme to build the Boeing commercial service last year.

An engineer with degrees from the

LONDON FORFAITING COMPANY PLC

US\$130,000,000

**Revolving Credit Facility** 

Arranged by

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including a 10-week strike last year. After a factory tour earlier this year, he told managers: "What I found were people proud of their company hnt scared about what lies ahead. I found people who wanted to contribute but didn't think anybody

was listening."

Mr Shrontz had already launched a programme to ensure that the voice of the shop floor was heard. Among the suggestions that employees made to a previously unresponsive management was that the company paint white lines on the factory floor. This would enable workers to position machine tools and scaffolding accurately against aircraft

This aunouncement appears as a matter of record only

error, as they had been doing until

Mr Condit has brought in a poet to address his managers. This was not, he said, because he wanted them to become poetry lovers hut because be wished to shake them out of their usual way of viewing business and get them to think differently,

He has long wanted to hring greater balance to Boeing, adding a bigger defence business to its civil aircraft division. The merger with McDonnell Douglas will achieve this. Putting the two companies together, however, will demand even more of those famed people skills.

Michael Skapinker | ough only a few months ago, knocks management was

faces test to adapt Mr Harry Stonecipher has a Mr Stonecipher predicted just what was needed. that Boeing would not build the 600-seat "super-jumbo" unless Airbus actually started on a similar aircraft.

In his new job, Mr Stonecipher could well be responsi-ble for starting a production line for the aircraft he sirily Mr Stonecipher's crunchy comments, designed to give the air of decisive, no-nonsense leadership, are all part of the hard-man image which ha likes to cul-tivate. Yet the style may sit uneasily with Boeing's

bureaucratic ethos. His origins are in a very different business culture. He spent 25 years working for General Electric as the company underwent "Neutron" Jack Welch's revolution. He rose to become head of the company's jet aircraft.

From GE, he was recruited to be chief executive of Sundstrand, the ailing engineering and defence group. turning round the company. again through tough management methods.

When the Pentagon decided that McDonnell have to be a little more care-Douglas needed an infusion of new management blood to replace Mr John McDonnell, For example, in answer to. the board decided that Mr. another question at Farnbor- Stoneclpher's brand of hard

Whether that was the able. Parts of the organisa tion were already on the receiving end of heavy cost cutting. For example, Mr Herb Lenese, the tough head of the fighter business, was already slashing costs at the St Louis fighter headquarters. In spite of the apparently common aim, the two men got on so badly that Mr

Stonecipher fired Mr Lenese

in October. What Mr Stonecipber must bave realised when he looked at the business, was that the challenges to McDonnell came from external limits to its place in the market, rather than from internal problems. Those constraints - a heavy squeeze on the company's place in the commercial airliner market and an ageing line of fighters - was the problem which Mr Stonecipher was unable to solve.

That logic led him to talk He was widely credited with to Boeing about a merger a year ago; those talks failed, apparently on the issue of who got what job. McDonnell's shareholders may wonder whether they won or lost because Mr Stoneclpher waited for his hand to be forced before he cut the inevitable deal with Boeing.

# Long faces? Not in Long Beach

By Christopher Parkes in Long Beach, California

Christmas came 10 days early to the Long Beach hangars where 19,000 peopla assemble commercial and military jets for McDonnell Douglas. Handmade "Going Boeing" signs popped up around the sprawling plant last week. On Sunday, the wishful thinking and rumours were vindicated.

Yesterday, Mr Conway Lawrence, an official with the United Aerospace Work-ers union, strode briskly across the car park.

"They've heen trying for 30 years to get the management straight. St Louis [McDonnell's headquarters] has not been able to do it. But this is great news."

Faith in Boeing's ownership and 60 per cent market share was everywhere apparent, but Mr Tim Jones, a components quality specialist, also had a good word for to go round and we'll see the company become more profitable." A young electrical months ago from Argentina

and Boeing is on the up." less certain, howaver. Mr Anthony Webb, en attorney who left private practice two years ago, said the manufac-

added: "Douglas was down

White-collar workers were turing side would certainly benefit. "But for lawyer

types like me, who knows?" One of the few anxious faces in the foot traffic from the car parks belonged to a 31-year-old salesman. "For two years maybe we'll be Mr Harry Stonecipber, OK, while we sell down our McDonnell Douglas chief existing line. But I suspect executive. "It's wonderful. It in the long term, they will shows strong leadership." he not need two marketing said. "There's enough work teams," he said. Boeing needs the facili-

ties and it needs the craft skills - McDonnell has technician who joined six hotb," commented an accounts department worker. Two bundred engineers, formerly employed on the MD-XX wide-hody jet scrapped recently, bad already been asked to move to Seattle to work on successtirs to the Boeing 747, noted the union's Mr Lawrence.

And there were ample

15,000 members here. Now we have 7,500. Half of McDonnell's skills are still out there," he said. The takeover extends Boe-

reserves. "In 1989 we had

ing's sphere of influence decisively into southern California. It recently took over Rockwell International, which bas its aerospace base at Seal Beach, a short bop from Long Beach.

How much capacity Boeing can use immediately and there is ample space at Rockwell - is an open question. But Mr Gary Brown, from McDonnell's commercial contracts department, saw at least 10 years of good times. "If you look at the problems facing us and Boeing's orders, you have to think it's good for us."

### **COMPANIES AND FINANCE: INTERNATIONAL**

# French accounting rules attacked

By Andrew Jack in Paris

Frencb companies take too long to publish their annual accounts and indulge in much too wide a range of interpretations of accounting rules, a report claimed

yesterday.
Of the leading 100 industrial and commercial companies, more than half take at least three months after the end of their financial year before issuing the annual report and accounts, and 18 per cent take more than four

range of options available tion that the quality of the under existing French information itself had been accounting rules, dealing improving over the past few with subjects such as provi- years.

sions against retirement costs and capitalisation

The analysis is contained in the 11th annual report produced by a group of five leading French auditing and financial consulting firms: Cauvin Angleys Saint-Pierre, Deloitte Touche Tohmatsu, Ernst & Young, Groupe Chaussimier Conseil and Mazars Y Guerard.

Mr Dominique Thouvenin of Ernst & Young, one of the authors, said companies were publishing information sooner after the year-end. Many also exploit a wide but there was little indica-

In an introduction to the report, Mr Georges Barthès de Ruyter, president of the National Accounting Council, says French regulations are behind the times in reflecting the rapid changes in such areas as financial

The document highlights a growing number of companies which are making reference to corporate governance in their annual caused considerabla debate in France.

However, it says there is insufficient information on the background of directors, their activities outside the memberships they hold.

analysed provided some information on specialised board committees such as an audit committee, but few offered details on how the committees worked or what they had conducted.

Many companies provided information on remuneration - including Lyonnaise des Eaux, the utilities group which this year for the first time revealed the salary of reports, a subject which has its chief executive - but it

was typically incomplete. The report calls for better information on the share price movements of companies during the year, including the largest shareholders company and other hoard and the stock market capitalisation.

# Morse to head Salomon's Asia arm

natural resources group in

in Hong Kong.

He will also join the US investment bank's management board, the first time Asia has been represented Brothers to head np debt on the policy-making body. Salomon said the decision three months ago. to appoint Mr Morse as a

Mr Robert Morse, head of reflected the growing impor-Salomon Brothers' global tance of the Asia region. Hefore moving to Lebman Rowe and Mr William Brothers where he stayed for Phillips who returned to

New York, is to hecoma bank, Mr Albert Cobetto, forchief executive officer of mer head of deht capital Salomon Brothars Asia markets for Asia at Salomon Pacific, writes Louise Lucas Brothers in Hong Kong, is to leave the company.

His departure follows the arrival of Mr Steven Roberts, who returned to Salomon capital markets for Asia Mr Stevens, who spent 13

In further reshuffles at the 11 months, was brought back Salomon Brothers in London at a more senior level to Mr earlier this month to take up Cobetto, and has overseen a a senior role in equities. large-scala expansion of the capital markets team since roles of chairman of Saloreturning to take up the

half years.

Brothers where he stayed for Phillips, who returned to

Mr Rowe continues in the mon Brothers Asia Pacific reins as managing director. and regional head of invest-Mr Cobetto, also formerly of ment banking

Lehman Brothers, had been Mr Michael Sargent, speciwith Salomon for two and a ality chemical analyst in US equity research for the past Mr Morse, who has been five years, has heen with the company since 1985, appointed head of Asia



Banca Popolare di Novara S.C.a.R.L., London Branch



Rabobank International

Bank Hapoalim B.M.

London Branch

**Emirates Bank International** 

Westdeutsche Landesbank Girozentrale.

Landesbank Sachsen Girozentrale

Banca CRTS.p.A., London Branch

Bank of China, London Branch

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**BANQUE PARIBAS** US\$400,000.000 Undated subordinated floating rate securities In accordance with the provisions of the securities. notice is hereby given that for the interest period from 17 December 1996 to 17 March 1997 the securities will comy an interest rate of 5.75% per anum. Interest payable value 17 March 1997 per US\$1,000 US\$14.38 and per US\$10,000

Agent: Morgan Guaranty Trust Company JPMorgan

BANQUE PARIBAS US\$200,000,000 Undated floating rate securities In accordance with the provisions of the securities, notice is hereby given that for the three month interest period from 17 December 1996 to 17 March 1997 the securities will carry on interest rate of 5.875 per annum. Interest due on 17 March 1997 will amount to US\$14.69 per US\$1,000

Agent: Morgan Guaranty Trust Company

JPMorgan

New bids

have brought

Creditanstalt

privatisation

to a climax

### COMPANIES AND FINANCE: INTERNATIONAL

### INTERNATIONAL NEWS DIGEST

# Thai finance group in 5-year offering

International Finance Corporation, the private-sector lending arm of the World Bank, has arranged a five-year Y10bn euroyen bond offering for Phatra Thanakit, a leading Thai finance and securities company. IFC said the offering was the longest maturity financing ever obtained by a Thai finance company. The aim was to belp Phatra Thanakit reduce the mismatch in maturities between its assets and liabilities, and to enable the company to on-lend to its clients for longer periods than in the past, the IFC added. The bond was unrated.

That finance companies tend to fund themselves short-term but lend on a longer-term basis. Many companies have reached internal limits on this mismatch and are currently unable to lend over the long term. "By benchmarking the sector through this transaction, IFC is facilitating the progressive diversification of funding sources available to Thai financial institutions," Mr Jernal ud-din Kassum, IFC vice-president, said. "We believe that the more established companies will be able to tap newer markets on their own over the medium-term as they obtain acceptable international credit ratings."

### Soffex and DTB in link-up

The German and Swiss futures and options exchanges plan to integrate their trading and clearing systems in a move that will also involve extended co-operation with the US. The Swiss Exchange and Deutsche Börse, which runs the Frankfurt securities exchanges, said they would form a joint subsidiary to create a common technical platform for linking their derivatives exchanges - Soffex (Swiss Options and Financial Futures Exchange) and Deutsche Terminbörse (DTB).

This would enable the DTB to take part in Soffex's existing agreement with the Chicago Board Options Exchange and the Options Clearing Corporation. Andrew Fisher, Frankfur

### Solid result for BOC India

BOC India, the country's dominant industrial gases group 51 per cent owned by BOC of the UK, reported sales up 13.34 per cent to Rs2.24bn (\$62.5m) for the year to September 30, supported by strong volume growth in main products and continuing cost-cutting. The results were at the upper end of expectations. Pre-tax profit jumped 41.2 per cent to Rs161m but net profit fell 25 per cent to Rs135m, after an exceptional gain last time from an asset sale. Earnings per share after exceptionals fell

### Costs cut CESC profit 59%

CESC, the Indian utility which supplies power to Calcutta and adjoining areas, reported a sharp fall in profits in the six months to the end of September. The company has been hit by e sharp rise in expenses, including interest costs and the government of West Bengal's refusal to compensate it fully for the rise in fuel prices through power tariff revision. Net profits fell 59.4 per cent, from Rs500m to Rs203m (\$5.7m), on sales up 12.4 per cent to Rs6.73bn. The result was well below expectations and the shares fell to Rs37.50, a low for the year. Analysts do not expect any significant improvement in profits in the

### Good debut for Australian fund

Units in the Infrastructure Trust of Australia. the country's first listed infrastructure investment fund, made a strong debut on the stock market yesterday. Trading in the units opened at about A\$1.40 - a 40 per cent premium to the A\$1 issue price. They ended the day at A\$1.35. The issue is raising about A\$300m (US\$238m) for the trust, with A\$210m coming from institutions and the remainder from retail investors. The fund will be heavily invested in a number of private sector road projects at the outset - including the large toll-way scheme around Melbourne and a proposed toll-road link between Sydney's city centre and its airport - although the intention is to diversify into other projects, such as utilities and possibly airports, as opportunities become

### RTZ-CRA buys coal stake

RTZ-CRA, the Anglo-Australian mining group, has bought out the 25 per cent interest in the Hail Creek coal-mining joint venture previously owned by Esso Australia. The deal will take the stake owned by Pacific Coal, the RTZ-CRA subsidiary, to 92 per cent, and it will sell on a small portion of the Esso holding to other partners in the joint venture. This will take the interest held by Marubeni Coal to 5.33 per cent, and the holding of Sumisho Coal to 2.67 per cent. No price was disclosed.

### NAB plans Taiwan upgrade

National Australia Bank, the Australian-owned group which controls banks in the UK, US and New Zealand, plans to upgrade its Taiwanese operations after securing a licence for an offshore banking unit there. NAB already has a branch operation in Taiwan.

### Arab Bank set for fresh start

Libyan directors of the Arab Banking Corporation, the Arah world's largest bank in asset terms, were expected to vote at a board meeting yesterday for the first time in two years. The Bahrain-based bank is expected to start working out a new strategy after two years of stagnation following the forced resignation in 1994 of its Libyan founder and chief executive, Mr Abdulla Saudi. ABC recently commissioned consultants Arthur Andersen to

advise on future strategy. Libya, Abu Dhabi and Kuwait each hold a 25 per cent stake in ABC, but 13 percentage points of Libya's stake is held in trust with the Bahrain government. ABC, founded in 1980, had profits of \$116m last year. Mr Ghazi Abdul Jawad, a Saudi national and previously general manages of Gulf International Bank, will be ABC president and chief executiva from February 1. Robin Allen, Manam

### Austrian bank sale approaches final hurdle among Europe's top 30 Austria is regarded as a "red banks. The potential for cost bank", because it is allied to A stop-go sell-off saga savings is considerable. ● 1990 Austrian government agrees to sell 70 per cent of On the other hand, it would monopolise Austria's April 1993 Raiffeisen banks propose merger - rejected investment banking busi- May 1994 CS Holding shows Interest - rebuffed ness and strain Bank Austria's capital ratios. It is also

nrope's longestrunning privatisation has reached the last hurdle. Final bids for the Anstrian government's Schl4.6bn (\$1.3bn) controlling stake in Creditanstalt Bankverein (CA), the counbids. Austrian government collepses; sale put on hold try'a most famous bank, were submitted yesterday after a weekend of mounting

The Austrian government has been trying to sell its 19.9m CA ordinary shares since 1990. Deadlines have come and gone, but this time the final hurdle seems to have been reached. There are now three bids, and if the Austrian government bungles the decision, it risks becoming the laughing stock of the European hanking

political intrigue.

community.

The offers are very different. A consortium comprising EA-Generali, the Austrian arm of an Italian insurer, First Austrian, Austria's oldest savings hank. Commerzbank of Germany, Banca Commerciale Italiana, and a hotch-potch of other

annonncement. The third Last Wednesday, however, hidder is Mr Karl Wlaschek, Bank Austria, the country's aged 79, who earlier this biggest bank, announced it

planned to make an offer for

man retailer, the Austrian government's 70 per cent stake in its main The Austrian government rival. No price was menhas certain expectations, It tioned, but analysts believe wants to maximise revenues

try's hanking system. It would also like to maintain Austrian control and, at the same time, carry through a year sold Billa, Austria's higgenuine privatisation. On paper, Bank Austria's gest grocery chain, to a Ger-

bid looks the most attractive. By taking over CA, it would have combined assets of Sch1,300bn and rank

not a proper privatisation. since nearly two-thirds of Bank Austria's shares are owned by AV-Z, a foundation controlled by the City of Vienna and the Austrian government. Furthermore, its two biggest foreign shareholders, WestLB of Germany, and Cariplo, Italy's largest savings bank, are both in the public sector. Bank Austria's opponents describe the hid as little more than the renationalisa-

tion of Creditanstalt. The EA-Generali consortium is believed to have offered a lower price, but offers a private sector solution. Little is known about Mr Wlaschek's intentions, but European central banks generally frown upon big commercial banks being

owned by individuals. The problem for Mr Viktor Klima, the Austrian finance minister, is that his decision cannot ignore the political factors which have dogged this privatisation. Mr Klima is a member of the Social Democratic party, the major ity partner in the govern

bank", because it is allied to Mr Klima's party.

CA, by contrast, is seen as a "black bank", as it is close to the conservative People's party, headed by Mr Wofgang Schüssel. Its fear is that it will lose out if Bank

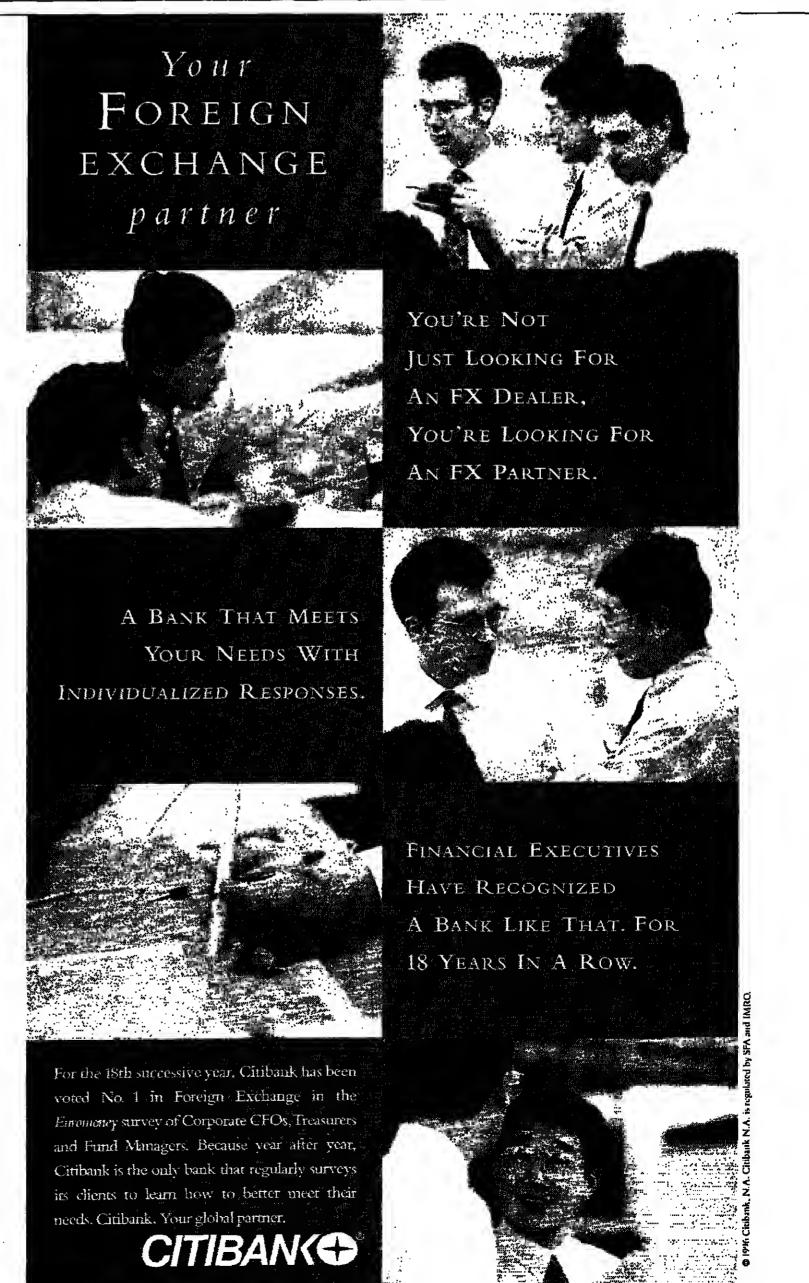
Austria takes control of CA.

A's trade unions, traditionally supporters of Mr Klima's party, are in uproar about the prospect of job cuts in the wake of a Bank Austria bid, and on Friday the Austrian parliament passed a resolution limiting Mr Klima's room for manoeuvre, it called on the government to undertake a genuine privatisation of its stake, not to sell it to companies controlled by federal, provincial or local authorities, and to make sure any sale does not lead to the loss of thousands of jobs - one of the main planks of the Bank Austria bid.

Mr Klima could ignore the resolution, but he risks the collapse of the fragile coalition which has ruled for the past decade. He has bargaining counters left, but does not know yet whether he has a winning hand or whether this privatisation will result in yet another stalemate.

William Hall





# ROMANIAN ELECTRICITY AUTHORITY RENEI

US\$ 160,000,000

TRADE FINANCE FACILITY

Arranger and Agent ING Bank

Co-Arrangers Bank of America NT & SA BHF-Bank Aktiengesellschaft Société Générale, International Branch Paris The Bank of Tokyo-Mitsnhishi, Ltd

Lead Managers Banque Française du Commerce Extérieur, London Branch **BBL** Ireland Royal Bank of Canada

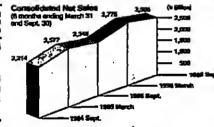
> Managers Bayerische Landesbank Girozentrale GiroCredit Bank, London Branch



December 1996

### CONSOLIDATED SEMI-ANNUAL REPORT

Statement of Income	(for the period April 1, 1996) to September 30, 1996) in Millions of Yes	Composite and Net (6 months anding Mar and Sept. 30)
	2,506,433	1.57
Income before taxes a		2.214
	27,643 16,634	
	5,11(In Yen)	



Balance Sheet	(Soptember 30, 1995) in Millions of Yes
Assets	Liabilities and Shareholders' Equity
Cash and cash equivalents         599,444           Notes and accounts receivable, trade         1,174,098           Inventories         1,133,336           Other current assets         400,348           Property, plant and equipment         1,352,107           Other assets         820,604	Short-term borrowings and current portion of long-term debt
Total assets 5,479,937	Total liabilities and shareholders' equity5,479,937

In Touch with Tomorrow TOSHIBA

October 1996

### Confederation Life Insurance Company (U.S.)

in Rehabilitation

The undersigned served as Special Rehabilitation Counsel and International Coordinating Counsel in the \$6 billion rehabilitation of the U.S. operations of Confederation Life Insurance Company.

> **CADWALADER** Cadwalader, Wickersbam & Taft



NEW YORK

WASHINGTON, D.C.

LOS ANGELES CHARLOTTE

### COMPANIES AND FINANCE: INTERNATIONAL

# Mannesmann misses out on Omnitel stake

By John Simkins in Milan

Mannesmann of Germany last night lost the chance to increase its stake in Omnitel Pronto Italia, the Italian cellular telephone company, when Bell Atlantic Internetional of the US exercised its pre-emptive rights on the holding.

overrides an agreement year in order to cut debt. made last month under which Olivetti, the troubled Italian information technology company, was to sell Mannesmann 8.26 per cant of Omnitel, Sistemi Radiocellulari (OSR), which owns 70 per cent of Omnitel,

for L432.5hn (\$283m). Bell Atlantic already held 16.7 per cent of OSR and hy taking up its rights as an It said LA04bn of the total existing shareholder it sale price would be paid by

remains a partner in the interest in 2001.

business through a 19.8 per cent stake it holds in Pronto Italia, which is another shareholder in OSR with telecommunications 50.74 per cent.

per cent of Omnitel, while 70 per cent is in the hands of OSR. Olivetti made the original

deal with Mannesmann as part of its plan to sell L800bn The move by Bell Atlantic of assets by the end of this. Central to the programme is the sale of its loss-making personal computers business but no buyer has yet been

Olivetti said that the sale of the OSR stake in Omnitel to Bell Atlantic would go ahead on the same basis as had been agreed with Mannesmann.

becomes the second biggest the end of the year; partner, after Olivetti, in the settlement of half of the cellular phone concern. remainder will be made next
Mannesmann, however, year and the other half, plus

After the sale Olivetti will remain the leading

The sale of the stake Pronto Italia controls 30 aroused controversy among of Olivetri's some institutional sharebolders, which said they had invested in Olivetti because of its involvement in the telecoms

> Besides Olivetti and Bell Atlantic, the other partners in OSR are Cellular Communications international of the US with nearly 15 per cent and Telia of Sweden, which has a stake of nearly 10 per cent.

> Mr Thomas Bartlett president of Bell Atlantic International Wireless, said: "We are excited about the coportunity to take an even greater ownership interest in Omnitel, a business with so

much growth potential." The leading partner in the Pronto Italia consortium is

# Svenska Handelsbanken in Skandia share probe

By Greg McIvor in Stockholm

Sweden's Financial Supervisory Authority is to cial Supervisory Authority launch an investigation into trading by Svenska Handelsbanken, the country's leading bank, in Skandia shares Skandia had been circulatafter the insurer's bid for ing in the market. Stadsbypotek, the mortgage

Handelsbanken, which is headed by Mr Arne Martens- Swedish law, but would son, last week made a rival SKr22.9bn (\$3.36bn) offer for Stadshypotek, It was the bigshares on the Stockholm offer and preceding its own

Skandia's shares have

fallen more than 8 per cent since the insurance company launched its hid.

Mr Hans Schedin, Financhief legal counsel, said suggestions about the motives for Handelsbanken's trade in

He said attempting to influence a rival company's shares was not illegal under become so next year. Under current rules, a

company found guilty of gest net seller of Skandia improper activity could face a variety of sanctions, bourse in a 19-day period including a warning or ultiafter Skandia's all-share mate withdrawal of its operating licence, although Mr Schedin stressed this was seldom invoked.



Arne Martensson: his bank

# TRW and Magna plan link-up on car interiors

and Sarah Althaus in Frankfurt

TRW and Magna, two of the world's biggest car component companies, yesterday announced a strategic alliance in occupant restraint products, such as airbags, in reaction to growing concentration among motor industry suppliers.
TRW is one of the leading

makers of airbags and seat belts, while Magna has a restraint systems, such as growing presence in seats

By working together, the two companies hope to offer carmakers a single source for interiors, including restraint systems, seats and

The alliance stops well short of a merger along the lines agreed last October between Autoliv of Sweden and Morton of the US, which are uniting their activities to form the world's higgest

did not mark the start of a adjustment and government

wider link with Magna. He said TRW and Magna had been in talks well before the Autoliv-Morton merger. As a first step, TRW and Magna are setting up a joint technical centre in Germany to work on integrated safety and develop new components.
TRW will head the devel-

opment side for occupant airbags and seat belts, while Magna will concentrate on interiors and car body

The only immediate financial impact will be in Ger-many, where TRW and Magna have significant

Magna will buy out third parties in MST Automotive and Temic Bayern-Chemie Airbag, two companies making airbag products and

occupant restraint supplier. After gaining control, TRW's earnings in 1997, but Mr Peter Hellman, TRW Magna will sell 80 per cent of was expected to be "accrechief operating officer, said the equity to TRW for tive to TRW" in 1998.

approval.

MST and TBCA, which together employ about 2,500 people, are expected to have sales of DM1.07bn this year. Mr Joseph Gorman, TRW chairman, said. "It is a ideal fit - we are relatively weak systems and car interiors in Europe, while Magna is strong, and we are strong in

areas where Magna is weak." The joint technical centre "uromises to deliver significant benefits by incorporating some of the best engineering and technology available globally."

Mr Don Walker, Magna chief executive, said: "Customers will benefit from the joint support of the alli-ance's global engineering, manufacturing and distribntion organisation, regardless of where the world's major antomakers assemble their

vehicles." According to Mr. Hellman, the deal would not affect INTERNATIONAL NEWS DIGEST

## Conseco to buy Pioneer Financial

Conseco, the acquisitive US life assurance group, is paying \$417m to buy Pioneer Financial Services in a stock swap. Pioneer, based in Illinois, is the 22nd life company to be bought by Indiana-based Conseco, and the sixth in. the past four months. Its total spending on acquisitions in that period, including money for retiring debt, is now slightly more than \$2.8bn.

The deal is intended to consolidate Conseco's position in health insurance supplementing state Medicars cover, and in retirement annuities - both sectors it believes will

expand as a result of demographic factors.

Pioneer, with total assets of \$1.3bn, will also strengthen. Conseco's distribution, with 90,000 agents – doubling Conseco's total sales force. According to Mr Stephen Hilbert, Conseco chief executive, this will give the company the largest US distribution organisation in its selected products.

Holders of Pioneer common stock will receive a fraction of a share of Conseco stock valuing the company at between \$25 and \$28 a share, depending on Conseco's performance in the 10 days before the closing of the ourchase, which is expected within six months.

Wall Street welcomed the deal. Pioneer's shares were up sharply, rising \$5% to \$24%. Conseco shares were up \$1% to \$61%. Before its August acquisitions, the shares had been trading at \$42. John Authers, New York

### Placer Dome threatens on bid

Placer Dome, the world's fifth biggest gold producer, yesterday threatened to withdraw a A\$0.75-a-share offer for all the shares it does not already hold in Highlands Gold, owner of 25 per cent of the Porgera gold mine in Papua New Guinea. Placer owns 50 per cent of Porgera and manages the mine. Placer rejected Highlands' allegations that it had

withheld exploration information about Porgera and that the bid was too low. If Highlands took the issue to court, Placer said, the offer would be withdrawn. Placer already owns 33 per cent of publicly traded Highlands.

Concurrently, Placer sought control of the minority shares of Placer Pacific, which also owns 25 per cent of Porgera. The two offers together were worth US\$600m, and success would mean that Placer would gain full ownership of Porgera and its annual output of about

Robert Gibbens, Montreal

### KLM buy-back benefits state

The Dutch government is to receive Fi 976.5m (\$562.7m) as a result of a buy-back by KLM of state-owned shares in the airline. The two yesterday announced that the price per share in the deal agreed earlier this month would be

This reflected the volume weighted average which KLM stock had fetched in the market over the previous four trading days, less a 2.5 per cent discount. The shares closed 30 cents higher on the news at F1 47.20.

The transaction, which includes a FI 175.3m payment to the state for a restructuring of its preference share entitlements, is due to be completed by next June. The government retains 25 per cent of KLM's ordinary shares, Gordon Cramb, Amsterdam

### Westinghouse unit sold

Western Resources said it agreed to buy Westinghouse Electric Corp's monitored security services business for \$388m in cash. The Westinghouse unit has 300,000 accounts in 44 states, making it the fourth-largest provider of electronically monitored security services in

### Safeway acquires Vons chain

Safeway, the US supermarket chain, is to take over Vons in a deal valuing the southern Californian supermarket chain at about \$1.56bn. Safeway, which holds about 35 per cent of Vons, will issue 1.425 common shares for each Vons common share it does not already own and will assume about \$550m in Vons debt. The combined company will be the second largest grocery store chain in North America, with 1.377 stores and sales of more than AP-DJ. California

### Repsol in Peruvian gas buy

Repsol, the Spanish oil group, has bought control of the leading bottled gas company in Peru. It said it was paying \$39m for a 60 per cent stake in Solgas, and planned to spend more than \$200m on marketing its products in Peru and developing the liquefied petroleum gas business. It also said it would take part in a \$117m programme to

upgrade facilities at the La Pampilla of refinery near Lima. A Repsol-led consortium, including YPF of Argentina and Mobil, bought a controlling stake in the refinery in June for \$180.5m.

The Spanish group said its move was designed to

consolidate its position in Peru as an integrated company ranging from exploration to household gas and including a network of petrol stations which it was building up with the aim of capturing about 15 per cent of the market

Solgas, privatised four years ago, controls about 40 per cent of the local market for butane and propane – a sector in which Repsol's Butano offshoot is the leading David White, Madrid



d Floating Flate Prin Capital Notes (Series 3)

For the aix months from December 17, 1995 to June 17, 1997 the Notes will carry an Interest rate of 5,725% per annum. On June 17, 1997 interest of U.S. 228,94.31 will be payable per U.S. \$100,000 and U.S. \$100,000 respectively for Coupon No. 21. By: The Chase Maskattan Bank London, Agreet Bank December 17, 1996 OCHASE



For the drace months 16th December, 1996 to 17th March, 1997, the Bonds will carry an interest rate of 6.39% for amount with an interest sensor of PTE 16.400 per PTE 10.0000 Bond, PTE 16.4299 per PTE 10.00000 Bond, PTE 16.4299 per PTE 10.00000 Bond pTE 821.893 per PTE 10.00000 Bond ptylable on 17th March, 1997, in respect of Compon No. 1.

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Capped Floating Rate Bonds due December 2006

Union Bank of Switzerjand London Branch Agent Bank

12th December, 1996

Templeton Empleton Global Strategy Funds Societal d'investissement à capital Templema Citobal Strategy Purels will pay dividends to the Shareholders of the following Foods as of record on December 12, 1996, against presentation of the

Currency Amount per Coupon number Grandson Global Conversible Rend-Chee A USD 0.028 9 20.12,1996 Templema Global Income Fand - Class A USD 0.065 15 20 12.1996
Templema Emerging Markets USD 0.22 15 20.12.1996 Templeton Emerging Markets . Fixed income Pond - Class A

Principal Paying Agent:
Chase Manhatten Bank Luxembourg S.A. L-2338 Lexembe

The Shares are traded ex-Gividend as from December 13, 1996. For further information. Shareholders are invited to contact their neare-Edinburgh Prankfurt Hong Kong Laxembourg
Tel: 124 199 69 272 23 120
Tel: 180 2877 7733
Tel: 180 2877 793
Tel: 180 2877 7

U.S. \$500,000,000 CITICORPO

bordinated Bank Adjustable Note Capital Securities BANCS Notice is hereby given that the Rate of Interest has been fixed at 5.8125% and that the interest payable on the relevant Interest Payment Date March 17, 1997 against Coupon No. 41 in respect of US\$50,000 nominal of the Notes will be US\$726.56. December 17, 1996, London by Criboni, NA, Korponia Agazo & Trust, Agast Bink CITIBANCO

We are pleased to announce our appointment as Depositary Bank by



Henkel KGaA

for their sponsored American Depositary Receipt (ADR) Programs

This transaction has been initiated and arranged by Citibank AG, Frankfurt

**CITIBAN(O** 

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### COMPANIES AND FINANCE: UK

£172m approach described as opportunistic and unwelcome

# Newman Tonks rejects FKI offer

Sy Tim Burt

Newman Tonks, Europe's largest architectural hardware company, yesterday said it had rejected a £172m (\$282m) takeover offer from FKI, the acquisitive UK engi-

neering group.
The Midlands-based group. a leading manufacturer of door handlee, locks and hinges, described FKI's 134pa share cash offer as opportunistic and unwelcome.

Shares in the company. which has been hit by sluggish demand from the construction industry this year, rose 27p to 129%p - valuing it at almost £166m. It was yesterday said to be

preparing a bid defence against a possible bostile offer from FKI, which has spent £260m on acquisitions in the past six months.

The move follows the collapse of talks at the weekend aimed at persuading Nawman Tonks to recommend FKI's offer to shareholders.

"They have made a highly opportunistic approach," said Mr Geoff Gahan, Newman Tonks chief executive They indicated that 134p-ashare was not the best price they could offer, but then

Does FKPs key in Newman Tento focks A day 95 226.5m disposed of

refused to say how much they would be prepared to pay." He hinted that "other parties" were contemplating possible offers to trump

FKI's approach. Analysts estimated that FKI might have to spend more than 2200m, including debt, to take the company. Senior FKI directors spent

most of the day in talks with

corporate financiers at Bar-

ings considering whether to

Neither the company or Barings - appointed to handie the deal over the head of FKI'e normal advisers NM Rothschild - would comment last night. At the time of its interim

increase the offer in the

or launch a contested bid.

£25.1m to operating profits of £58.4m in the first half. results three weeks ago, FKI suggested it could use £315m of borrowing facilities to fund acquisitions.

Yesterday, however, some hope of a recommendation analysts claimed it would need to embark on a capitalraising exercise to avoid Analysts, however, expect

straining its balance sheet. By taking over Newman Tonks, FKI would greatly strengthen its hardware divigrowth. Mr Gahan said the comsion, which contributed

Underlying interim profits at the Midlands-based group. by comparison, fell from £9m

managing director of inter-

national hotels, said Méri-

dien would be developed as a

single brand with a Euro-

pean flavour, with the Meri-

dien in London'e Piccadilly

Méridien had not lost any

management contracts as a

result of the takeover, be

had added 2,781 rooms from

new signings and 1,358

rooms from extending exist-

Priority areas for expan-

sion included south-east

Asia and the Americas.

while a presence would be

sought in eastern Rurone.

South Africa, China and

said, and in the past year it

as the flagship.

ing contracts.

to £7.4m following weak demand from the UK build-

profits next year to climb from about £17m to about £21m on the back of overseas

pany would be meeting its institutional sharebolders shortly to seek their support in rejecting FKI's initial

House in London attracted

the right price, reflecting the

potential for profits of up to

£40m a year, it would not be

sold. Mr Allen said. It made

£20m (£13m) in the year to

September. The 453-room

Grosvenor House has a book

value of £302m and accounts

for almost 40 per cent of the

denied that it is bidding for

the Grosvenor House

through Audley Group, a

company that it created ear-

Exclusive portfolio.

from the sale of two of the 17 Exclusives - which have a total book value of £801m. Unless the Grosvenor

September 80.

quarter of next year. apprading the hotels.

and chief executive officer, of Bristol said the deal more than doubled the company's size and increased its competitiveness.

### Bass in \$640m sale of **US** hotels

By Scheherazade Daneshkhu

Bass is to dispose of most of its Holiday Inns in North America in a cash and equity deal worth \$640m. The UK-based brewer and

notels company is to take a 36 per cent stake in Dallasbased Bristol Hotel Company, the buyer, and will receive \$391m in cash for 61 Holiday Inn hotels it owns or manages. The botels bave book value of \$638m.

Sir Ian Prosser, Bass chahman, said that it was taking a stake in Bristol because of the company's expertise in redeveloping older, full service Holiday

He said Bass intended to retain the stake, but had no plans to increase it. Bass will appoint two directors to the board of Bristol

Bristol will convert 10 of its existing 39 hotels to the Holiday Inn brand, which will result in 84 of its 100 botels being branded Holiday Inn or Crowne Plaza. It is committed to maintaining a portfolio of 85 per cent Holiday Inn by number of

The 61 hotels - 47 of which were fully owned and 14 under management contract - generated profits of \$69m to the financial year to

Bass said the cash proceeds would reduce its debt and reduce gearing to 20 per

The transaction is due to be completed in the second

Bristol will spend \$150m over the next three years on Mr Peter Kline, president

Meanwhile, the Brunei Investment Agency has The hotels being acquired lier this year to make luxury had an average occupancy

rate of 72.9 per cent and an average daily room rate of their hids. \$73.82 against industry averages of 65.8 per cent and \$70.71, respectively.

# Insurance groups merge in £300m deal

By Christopher Adams, Insurance Correspondent

The pace of consolidation in the global insurance industry accelerated yesterday as British-based brokers Lloyd Thompson and JIB Group unveiled a £300m (\$492m) merger, creating a group strong in the Asian and London markets. The husiness mix means

Lloyd Thompson will benefit from JIB's presence in Asia and gain a foothold in continental Europe. There will also be scope for cost savings in the London market operations. Mr Ken Carter, chief exec-

utive of Lloyd Thompson, said the merger bad been two years in the making. Both sides were reluctant to go ahead until JIB sold its US retail business, which it did earlier this year, and the Lloyd's of London recovery plan was completed, providing future stability for Lloyd

Thompson. Shares in JIB jumped 21p to 130p, reflecting the value

placed on it hy Lloyd Thompson's offer. Lloyd Thompson shares were up 1%p to 174p.

Under the terms of the daal, Lloyd Thompson is making an agreed hid valuing JIB at £173m. Sharehold ers in JIB will receive four new Lloyd Thompson shares for every five held in JIB and will own 57 per cent of the new group. The deal dilutes the 60 per cent stake beld by Hong Koog-based conglomerate Jardine Matheson in JIB to 34 per cent in

the merged company. The deal between Lloyd Thompson and JIB gives scope for rationalising their combined London market operations. But analysts said there was little overlap and the more important reason for the deal was income

The enlarged group, to be called Jardine Lloyd Thompson, would have earned brokerage of £220m over the year to end June compared with Lloyd Thompson's

# **Lloyds Chemists** pressures suitors

rates.

By Peggy Hollinger

Lloyds Chemists, the pharmacy group at the cen tre of a £630m-plus (\$1.03bn) bid battle, yesterday sought to put pressure on rival suitors Gehe of Germany and UniChem hy urging sbarebolders to bold out for a higher offer.

The company said this should be possible, given "the statements made by each offeror as to the strategic importance of Lloyds Chemists to each of them". Both drugs distributors have until January 17 to increase

However, Gehe, which is offering 500p a share in cash, accept its bid "without delay".

The company argued that its cash had become increasingly attractive in recent weeks as a result of several factors: evidence of a continuing squeeze on pharmacy margins from lower NHS reimbursement fees; the volatile stock market which made the value of UniChem's shares uncertain: and finally increased speculation over rising interest

UniChem rejected Gehe's claims, saying that if the German company was truly worried ahout the UK pharmacy market it would not be bidding for said shareholders should Lloyds.

## **ASW** in recycling disposal

By Peter Marsh

Shares in ASW rose 13 per cent yesterday after the financially troubled steelmaker announced the £33m (\$54m) cash sale of its metals recycling division in an effort to reduce debt.

The buyer is Philip Environmental, a Canadian industrial services company. It also announced that 200 more jobs would go in its manufacturing operations in

than a year before. Mr Alain Soulas, chief executive, said the disposal and cost-cutting measures put the company in a "completely competitive" position. But he warned that the Cardiff-based company was continuing to suffer from the European-wide weakness in the construction business which takes 85 per

cent of its output. We are feeling the effects of oversupply and underconsumption," he said.

The 4%p rise in the shares to 38p reflected investor relief that the deal would reduce ASW's borrowings, which at June 30 were £130m, with gearing of 80 per cent. Mr Soulas said the proceeds would reduce borrowings to about £100m.

ASW will continue to buy recycled eteel for its core steel-mesh operations from

\_\_\_\_ Yr to Sept 28 \_\_\_ 8 miles to Oct 26

S miths to Sept 30

Yr to Sept 30

Yr to Sept 30 54.3 S miths to Sept 30 3.45 28 wice to Nov 9 440.5 S miths to Sept 30 1.55

Honderson: B'land \_\_\_\_ 9 mins to Nov 30 (-)
HS UK Emerging \_\_\_\_ 8½ mins to Oct 31 103 (96.14) 0.297
Invesco Recovery \_\_\_\_\_ Yr to Oct 31 118.2 (97.9) 0.734

neco Recovery \_\_\_\_\_\_\_ Yr to Oct 31 118.2 serners \_\_\_\_\_\_ 7 miles to Oct 31 100.03 opideno Emerging \_\_\_ 6 miles to Oct 31 132.55

RESULTS

# Granada to expand Méridien



Charles Allen: Méridien to have a shigle brand twage

By Simon Holberton

Calenergy, the US company

making a £782m (\$1.28bn) hostile offer for Northern

Electric, yesterday claimed the Newcastle-based electric-

ity company had made "mis-

leading and incorrect" state-

ments concerning the value

The US independent power

producer said its bid for

Northern represented a

higher cash flow multiple

than Dominion Resources'

8.06 (3.7)

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(21.2) 0.9644 (2.52) 5.

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0.297 (-) 0.734 (0.726)

0.057 (- ) 2.87 (2.72 )

of CalEnergy's bid.

Daneshkhu and David Blackwell

Granada Gronp, which originally planned to sell the Méridien hotel chain during its £3.9bn hostile takeover of Forte a year ago, now plans to double the number of rooms to 50,000 by 2000.

Mr Charles Allen, chief executive of the TV and leisure company, said that would be achieved by seeking management contracts. Granada planned to sell the assets of the 25 Meridien hotels it owns during the next five years. It has contracts at 52 others. Mr Allen said owners

would be offered packages of

services, including restaurant concepts and health

CalEnergy attacks Northern's

bid for East Midlands.

claim that Calknergy's offer

was mean by comparison with other bids in the sector.

It had calculated that

CalEnergy's bid represented

a multiple of 5.9 times forecast cash flow - profits

before interest, tax and

depreciation - for the year

However, CalEnergy said yesterday that its bid repre-

sented a multiple of 6.3 times

1997-98 forecast cash flow,

This countered Northern's

'misleading' bid valuation

to March 1997.

(2.47 ) (2.7 ) (14.39 ) (2.5 ) (10.51 ) (3.75 ) (2.37 ) (4.88 )

5.78 12.51

8.9

It is unlikely that there

will be further sales of its

acfilities. Christmas, there, but that's as far Mr Alfonso Giannuzzi, Granada has raised £190m' goes," said an official

Exclusive hotels before

compared with Dominion's bid for East Midlands at 6.2

However, this was dis-

puted by one sector analyst.

He saidCalEnergy's bid rep-

resented a 1998 cash flow

multiple of 6 times, com-

pared with 6.6 times for

Dominion's offer for East

This dispute about valua-

tion underlines the tension

surrounding the outcome of

the bid, which ends at 1pm

Total for

4.55 11.55

Total lead year

4,125 10 29 4.5

4,4 5

Total last year

4.22 9.5 5.9

Midlands.

Date of payment

### hotel acquisitions. "The Sultan of Brunei's father used to enjoy staying there, but that's as far as it



## **Divestiture of State-Owned Enterprises**

Invitation to submit bids for the acquisition of shares in Western Veneer and Lumber Company Limited (WVLC)

The Government of Ghana, acting through its agent the Divestiture Implementation Committee (DIC), hereby invites interested persons to submit bids for the acquisition of all the shares in Western Veneer and Lumber Company Limited.

### Enterprise Profile

- ♦ WVLC was incorporated in 1990 to acquire the assets and liabilities of Takoradi Veneer and Lumber Company Limited and Western Timber Company Limited. The shareholders of WVLC are the Government of Ghana and EAC Timber Limited A/S.
- WVLC has factories situated at Sekondi and Apowa, comprising factory canopies, sawmills, mechanical workshops and administration blocks. Both factories are adequately equipped with plant and machinery.
- The Apowa operation covers 14 acres, and is considered one of the best laid out sawmills in Ghana, having ample room for log storage and preparation. Recent additions to the Apowa operation include new peeling line and veneer sorting shed.
- Most logs used by WVLC are from its existing concessions in the Central, Western and Ashanti regions of Ghana. Concessions comprise approximately 600 square miles of timber forest, stocked with primary and secondary species.
- ◆ WVLC's recent results have been affected by the recession in the European lumber market. This market is now improving, and WVLC offers significant potential for the right investor.

### Bid Information

Bid documents (including detailed bid procedures) will be provided to interested persons upon return of DIC's standard form confidentiality undertaking, duly signed, and payment of the appropriate fee. Bids from persons who do not comply with these requirements will not be accepted. Completed bids must be delivered to DIC on or before 5.00 pm on Friday February 14, 1997.

INTERESTED PERSONS SHOULD CONTACT:

### EXECUTIVE SECRETARY

Divestiture Implementation Committee F35 5 Ring Road East, North Labone P.O. Box C102. Cantonments Acera, Ghana

Fel: (233-21) 772049 + 775119 + 760281 Fax: (233-24) 773126 17-mail: dicgh@nes.com.gh

☆ Comparatives or ◆Velue at launch. The Royal Bank of Scotland Group plc

> US \$350,000,000 UNDATED FLOATING RATE PRIMARY CAPITAL NOTES

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 17th December 1996 to 17th June 1997, the Notes will bear a Rate of Interest of 5.8125% per annum. The amount of interest payable on 17th June 1997 will be US \$293.85 per US \$10,000 Note and US \$7,346.35 per US \$250,000 Note. AGENT BANK:

Charterhouse Bank Limited



Your Legal Notices Picase contact Melanie Miles on Let: ~44 (07) 873 3340 Fax: ±444071 873 3064

12th December, 1996

For further 1 picase call. Andrew Skarzynski 44 0171 873 4054 Toby Finden-Crofts on 44 8171 873 3456

CHARTERHOUSE.

0.36 (0.68) Estings shown beatc. Dividents shown not. Figures in brackets are for corresponding partial. After exceptional charge. †On Increased capital. After exceptional charge. APPOINTMENTS Capital One Master Trust TLS. \$300,000,000 ADVERTISING Pleating Rate Clear A Certificates, Series 1995-2 For the interest period 16th December, 1996 to 15th Jamesry, 1997 the Certificates will carry an interest rate of 5.715478 per assembly with an associated U.S. \$47.63 payable per U.S. \$10,000 denomination and U.S. \$47.629 per U.S. \$100,000 denomination, payable on USh Jamesry, 1997.

Todon Book of Setter and appears in the UKedition every Wednesday & Thursday Calco Dunk of Switzerland Landon Branch Ages Bank and in the International

Feb 20

edition every Fuday

### INTERNATIONAL CAPITAL MARKETS

# Treasuries slip on production data

GOVERNMENT BONDS

By Lisa Bransten in New York and Samer Iskandar

Stronger-than-axpected figures on industrial production and capacity utilisation sent US Treasury prices lower in early trading yester-

Near midday in New York. the long bond was off wat & Jenrette called them "mis-984 to vield 6.596 per cent. while at the sbort end of the maturity spectrum the twoyear note fell à at 99强 yielding 5.761 per cent. The March 30-year bond fell by

The curve that maps the spread between the yield on two-year notes and the long bond steepened hy 2 basis points to 84 basis points.

Bonds were higher very early yesterday, but gave in output" back their early gains after the Federal Reserve said

gain of 0.5 per cent.

The proportion of capacity in use in the production of goods was also higher than expectations at 83.3 per cent.

Economists were divided

about the importance of the

figures, especially in view of the fact that the Fed's Open Market Committee is meeting today. Ms Marilyn Schaia of Donaldson, Lufkin leading" because most of the strength was due to a rebound on the heels of the General Motors strike and said they fitted with the idea

anufacturing sector. Meanwhile, economists at HSBC James Capel said that the Fed was "likely to note a few signs of strength outside the sharp year-over-year rise

of gradual growth in the

German bunds were dragged down hy falling 0.9 per cent last month, giving up most of their ear-

Economists had forecast a lier gains. The March bund benchmark bond ended the contract, traded on Liffe, settled at 100.20, up 0.13, after reaching a high of 100.55. It store for some marked conlater fell to a low of 100.03 in

after-hours trading.

respectively.

Other European markets had a generally quiet day, with only Italian and Swedish bonds outperforming core Europe, their 10-year vield spreads over bunds tightening by 5 basis points to 167 and 102 basis points

This [outperformance by high vielders] reflects tha belief that a euro with a European central bank behind it is a less formideble competitor for funds than the mark with the Bundesbank driving it," said Bridgewater Associates, a US currency and bond management

Liffe's March BTP future rose 0.51 to settle at 128.93, while in the cash market the 9% per cent BTP due 2006 closed 0.61 higher at 113.61. The Swedish 10-year

pares with prices of between day at 107.74, up 0.38.

"The market should be in vergence in the next few daye", said Mr David Brown, chief European economist at Bear Stearns, However, he warned that "longer term, we still think the end is nigh for convergence".

UK gilts started the day on a positive note, rising by up to 1/2, but shed these gains in the afternoon to end roughly unchanged from Friday. On Liffa, the March long gilt future settled at 109%. up &. Gilts are subject to dual

forces", said Mr Adrian Owens, an economist at Julius Baer Investments in London. "On relative grounds they are attractive, but some firm data are likely to limit progress this week. Matif's notional futures contracts maturing in December 1997 and thereaf-

price close to 100. This com-

100.00 Dec 2006 0.75

124.82 and 128.06 on existing

This pronounced difference is attributable to a change in the characteristics of the contract announced earlier this year as part of Matif's Emu strategy. Tha underlying conpon of the new futures will be 5.5 per cent, against 10 per cent on older instruments.

Tha list of deliverable boods will also change. As of December 1997, deliverable bonds will have to have maturities of 8.5 to 10.5 years, against 7 to 10 years

currently. The required outstanding amount of deliverable bonds FFr5hn to FFr40hn.

Matif is hoping these tech nical changes will boost the liquidity of its notional contract and increase its chances of hecoming the ter, the first of which start benchmark European prodtrading today, will have a uct after the move to a single currency in 1999.

floater" and said that it

could be attractive to

Japanesa money market

ING Verzekeringen, which

has an AA- credit rating

from Standard & Poor's, will

use the funds for "general

corporate purposes",

according to syndicate

### Banks seek to **Turkish** issues set up secondary survive market for debt downgrade

**Banking Editor** 

debt, particularly

Loan Market Association

and are likely to concentrate

borrowers in eastern Europe

and countries such as South

Africa to agree to allow their

said prices for freely-traded

debt might fall as a result of

emerging market borrowers.

which are eager to find new

sources of cash, are more likely to approve secondary trading of their deht than

large companies in the UK,

France or Germany that rely

more on bank relationships.

believe they may eventually

be able to offer loans more

However, the banks

increased liquidity.

They believe

emerging markets.

among banks.

in

By Conner Middelmann

Ontstanding eurobonds issued by the Republic of Turkey have not suffered significantly as a result of its latest credit rating down-

Standard & Poor's, the US rating agency, on Friday cut Turkey's long-term foreign corrency rating to B from B-plus. It now has the same rating as Venezuela, and ranks a notch below Pakistan and Brazil, which are both rated B-plus, and two notches helow Russia. Romania and Argentina, which are rated BB-minus.

However, since S&P had announced in July that it was considering downgrad ing Turkey, "this news had been discounted in the market for some time," said an emerging-markets trader. If anything, he said, the confirmation of the downgrade could be seen as good news as it removed uncertainty

verhanging the market. Traders reported little selling of Turkey's US dollar and D-Mark denominated bonds launched in recent months. "The issues bave been pretty firmly placed, and this close to year-end you see very few flows any-

way." said one dealer. According to one dealer the yield spread on Turkey's three-year dollar bonds, issued this summer at a spread of 210 basis points over Treasuries, now stands at about 250 basis points. However, he said that widening had taken place grad-

result of the downgrading. A five-year D-Mark bond, recently launched at a spread of 280 basis points, now trades at about 310 basis points over German

nally, rather than as a

conservative borrowers. The banks also hope that the extreme cyclicality in pricing of large corporate A group of seven large banks loans might be eased by will this week attempt to having a secondary market, gain support from at least 50 because pricing will not be others in an effort to eetablish a thriving so heavily influenced by lending policies of e few secondary markat in dominant banks. corporate and sovereign

0-Mark fa

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Sec.

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RINANGE CRUSH 线基等键象

ESTAR YOUR HOGE

There is an expanding market in credit derivatives. The banks have formed a opportunities to offset lending risks with other first on persuading financial instruments. NatWest has also recently lannched a \$5bn securitisation of large

loans to be traded freely Among the hurdles faced The establishment of the by the banks is the need to set up a common framework association, which will for valuing corporate debt. attempt to draw up common They intend to prepare legal guldelines and benchmark figures to be settlement methods for the trading of secondary debt, is circulated to members monthly, assisted by the one of a number of innovations affecting the accountants Coopers & Lybrand. market in loans to large

The banks are initially One member of the likely to concentrate on emaller, sub-investment ssociation - led by BZW, grade companies and Credit Suisse, Fuji Bank, governments of emerging HSBC Investment Bank, J. P. Morgan, NatWeet Markets and SBC Warburg market countries. They will also focus on

performing debt, rather than the separate distressed debt Although soma US banks

bave led the way in establishing a secondary distressed debt market in Europe, this has become less the euromarkets as European economies hava

recovered from recession. Bankers regard one of the potential advantages of a broad secondary market in corporate debt as offering a cheaply to companies that agree to have the debt traded in the secondary chance to a large retail bank in one country to reduce its market. A price differential exposure to losses as a result ader said. | might help to entice more of recession in that country.

# Slovakian bank in \$80m offering

INTERNATIONAL BONDS By Richard Lapper,

Capital Markets Editor

Slovenska Sporitelna. Slovakia's second largest bank by asset size, yesterday moved to strengthen its capital base by launching an \$80m 10-year subordinated

bond The paper, the first of its type to be launched by a borrower from the republic, capital for regulatory purposes, according to syndicate managers at Merrill Lynch, bookrunners,

WORLD BOND PRICES

**BENCHMARK GOVERNMENT BONDS** 

sold in Europe, mainly with institutions, about 10 per cent in the United States and about 35 per cent in Asia

Unusually, a Taiwanese bank, Hua Nan Commercial Bank, was invited to be a co-manager in the deal. partly to develop Asian diatribution. Chase Manhattan was a co-lead manager

Slovenska has the option to buy back the bond, which is a floating rate note, through a call option, exercisable after five years. The bank, which is rated Bal by Moody'a, is raising Dealers said about 55 per funds at 125 basis points

Slovenska Sportteine(a)::

I US DOLLARS

cent of the paper would be over Libor for the first five

7,94 5,85 5,90 6,33

years, with that rate rising ING

New international bond issues

Slovenska, which has just under \$6bn in assets, has the largest retail network in Slovakia. ING Verzekeringen, the

between 2001 and 2006.

to 300 basis points over Libor

insurance arm of ING, the Dutch financial group, raised some Y10bn in Asian markets, with an unlisted Paribas Capital Markets

was bookrunner on the deal,

which is understood to be

Est, vol. total, Calls 19250 Puts 13689, Previous day's open int

III NOTIONAL ITALIAN GOVT, BOND (BTP) FUTURES

128.93 128.47

Sett price Change

+0.51 129.41 +0.50 128.61

IN ITALIAN GOVT, BOND (BTP) FUTURES OPTIONS (LEFFE) Lin200m 100ths of 100%

(LIFFE)\* Line 200m 100ths of 100%

128.61

Verzekeringen's structure as a "high high euro-medium term note programme launched last The pricing structure of

the bond - a four-year

floating rate note - was relatively unusual. Priced at 104.85 the bond will be redeemed at par, creating a capital loss for the investor. To compensate the

bond will pay a relatively high coupon of 100 basis state oil group, raised points over Japanese Libor. Schl.25bn with an eight-year Dealers not connected to deal, mainly targeted at the second to be issued in the deal described the Euro

Est. vol Open Int.

43145

128.61

pean rem	II Dayco		may terr	-	
SE Actu	aries Go	vt. Se	curit	ies	
Indices	Mon	Day's	_ FH	Accru	ed :

e Indices Giffs	Mon Dec 18		Fri Dec 13.	Accrued Interest	xti ecij. ytd					- Medium Dec 16					
Jp to 5 years (21)	120.86	0.01	120,84	2.34	9,44	5 yrs	7.28	7.27	6.87	7,33	7,32	6.89	7.38	7.36	6.96
-15 years (19)	148.22	0.08	148.10	2.07	11,66	15 yrs	7.76	7.78	7,95	7.75	7.76	7.68	7.69	7.77	7,74
over 15 years (7)	167.80	<i>3</i> 0.0	187,70	3.41	11.85	20 yrs	7.82	7,85	7.72	7.79	7.79	7.74	7.70	7.79	7.80
rredeemables (6) All stocks (53)	192.12	1.13 0.08	189.96 143.29	1.87 2.46	13.47 10.97	kred,†	7.86	7,94	7.88			٦.	٠.	٠٠.	٠
ex-direct								6 Dec 1	5% — 3 Yr. ag	ю		lation 10 8 Dec 1:	0% — S Yr. ago	·	
Jp to 5 years (2) Over 5 years (10) VI stocks (12)	203,04 194,98 194,77	0.09 0.17 0.18	202.86 194.65 194.46	1.24 1.60 1.55	5.26 4.71 4.69	Up to 5 yr Over 5 yrs					2.45 3.33				
ago grass redemption	ylokia are a	hows above.	Соироп Вил	dec Low: 0%	-74%; Mac	dura: 896-109	%; Hight	11% and	aver, t Fl	let ylekî, yi	d Year to	dete.			
Fixed Interes	t Indice	S				Gill	Edge	d Acti	ivity In	dices					
Dec	18 Dec 13	Dec 12 Dec	c 11 Dec 1	0 Yr ago	High' Lo	M	_		Dec	B 13 E	ec 12	Dec 1	1 Dec	10	Dec 6
t Secs. (UK) 94.	04 93.71	93.73 94	.08 94.50	95.93	96.34 91	59 CHt	Edged b	ergalns	В	4.5	71.6	78.7	85	.0	82.0

# 11/08 95.9560 40.410 7.33 07/06 98.5800 40.400 5.93 05/08 107.2500 40.200 5.98 12/06 103.2000 -0.400 6.58 03/06 108.7000 40.340 6.70 10/01 103.3161 40.380 4.72 10/06 105.1200 40.100 5.96 08/06 108.7300 40.650 6.73 02/06 113.6100 40.610 7.421 09/05 104.1143 40.180 2.43 08/08 119.1600 40.310 5.90 08/06 119.7571 40.180 1.42 09/05 104.1143 40.180 2.43 08/06 119.1600 40.310 5.90 08/06 119.1600 40.310 5.90 08/06 119.1600 40.310 5.90 08/06 119.1600 40.310 5.90 08/06 119.1600 40.310 5.90 08/06 119.1600 40.310 5.90 08/06 119.1600 40.310 5.90 08/06 119.1600 40.310 5.90 08/06 119.1600 40.310 5.90 08/06 119.1600 40.340 8.89 +0.310 5.80 +0.430 8.89 +0.380 8.94 +0.380 8.94 -1.32 7.17 -2.32 7.63 +1.432 7.70 +1.432 6.34 -2.432 6.60 +0.270 8.18 04/08 117.2800 04/08 112.1200 08/07 107.7413 12/00 102-26 12/08 99-04 10/08 109-31 10/06 101-05 11/26 98-23 04/08 105.7700

**BOND FUTURES AND OPTIONS** 

	Open	Sett price	Change	High	Low	Est. vol.	Open Int
Dec	128.40	128.66	+0.66	128.76	128.26	44,111	60,309
Mar	128.42	128.48	+0.42	128.94	127.40	128,316	118,215
Jun	127.40	127.22	+0.40	127.52	125.20	77	9,233
E LONG	TERM FRE	ENCH BON	ID OPTIO	NS (MAT	1F)		
Strike		CAL	LS			PUTS	
Price	Jen	Fel	b N	4ur	Jan	Feb	Mar
126	2.13		2	.84	0.07	0.39	0.59
127	1.23	-	1.	.93	0.17	0.64	0.87
128	0.54	1,0	7 1.	.33	0.48	1.01	1.27
129	0.17	0,6	1 0.	.26	1,11	1.54	1.79
130	0.05	0,3	1 0.	.51	1.99	2.24	2.44
Est. vol. to	cal. Com. 22.7%	Pum 13.15	i. Providen e	desta com	int., Calls 149	0.043 Pure 1	47.024

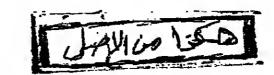
Berti	ONAL GER	MAN BUNI	FUTURE	ES (LIFFE)	DM250,0	00 100ths	of 100%
vler Iun	Open 100.22	Sett price 100.20 99.31		High 100.55	Low 100.03		Open Int. 222100 183
ŲK	GILTS E	PRICES					

Strike	-		шs			PUTS -	
Price		Mar	Jun		Mar		Jun
12850		211	2.77		1.68		2.80
12900		J.B4	2.53		1.91		3.06
12950		1.60	2.31		2.17		3.34
Spain	otal, Cais 91 I ONAL SPA				ic, cas	IOUS-IO FOL	a / 1433
	Open		Change	High	Low	Est vol.	Open In
Dec	112.25		-0.12	112.73	112.10	71,811	28,716
Mer	111,85	111.61	-0.21	112.31	111,60	47.617	80,818
UK							
MOTE	ONAL UK	SALT FUTU	RES (LIFFI	a° £50,000	32nds of	100%	
	Open	Sett price	Change	High	Low	Est. vol	Open in
Dec	110-04	109-26	+0-02	110-08	109-25	267	4765
Mar	109-03	109-02	+0-01	109-16	108-29	28457	137585
LONG	GILT FUT	URES OF	TIONS (LIF	FE) 850,00	0 64ths of	100%	
Strike			шв			PUTS	
Price	Jan			un Jer			Jun
				00 0-26	1-08	1-30	2-40
	0-30		-34 2-				
	0-30 0-09 0-01 out, Cults 13	0-48 1 0-26 0	1-04 1-0 1-45 1-1	38 1-05 16 1-61	1-44 2-24	2-00 2-41	3-14 3-56
110 111 Ear vol 1	0-09 0-01 onel, Culter 13	0-48 1 0-25 0 54 Puss 226	1-04 1-0 1-45 1-1 3. Previous	38 1-05 16 1-81 day's open	1-44 2-24	2-00 2-41	3-14 3-56
110 111 Ear vol 1	0-09 0-01	0-48 1 0-25 0 54 Puss 226	1-04 1-45 1-18. Previous	38 1-05 16 1-81 day's open	1-44 2-24	2-00 2-41 8283 Puts	3-14 3-58 20634
110 111 Ear vol 1	0-09 0-01 stel, Cults 13	0-48 0-26 54 Pus 236 URES (MA	1-04 1-45 1-18. Previous	38 1-05 16 1-61 day's open	1-44 2-24 Int., Cells 1	2-00 2-41 8283 Puts	3-14 3-58 20634
110 111 Est. vol. s ECU	0-09 0-01 oral, Calls 13 BONID FUT Open	0-48 1 0-26 0 54 Puss 236 URES (MA	1-04 1-45 1-18. Previous. TIF) ECU10	38 1-05 16 1-81 day's open 30.000 High	1-44 2-24 int., Cells. 1	2-00 2-41 8283 Puts	3-14 3-58 20634 Open int
110 111 Ear. vol. to ECU E ECU 1	0-09 0-01 stat, Calls 13 BONID PUT Open 95.54	0-48 1 0-25 0 54 Puss 236 URES (MA Sett price 95.88	1-04 1-45 1-13. Previous TIF) ECU10 Change +0.90	38 1-05 16 1-61 day's open ( )0.000 High 95.92	1-44 2-24 int., Cells ? Low 95.54	2-00 2-41 8283 Puts Est. vol. 1,732	3-14 3-58 20634 Open Int 2,344
110 111 Earl vol. 15 ECU E ECU 1 Dec Mar	0-09 0-01 0-est, Calls 13 BOND FUT Open 95.54 95.14	0-48 1 0-25 0 54 Puss 236 URES (MA Sett price 95.88 95.18	1-04 1-45 1-38, Previous. TIF) ECU10 Change +0.90 +0.62	38 1-05 16 1-61 day's open of 10.000 High 95.92 95.50	1-44 2-24 int., Cells. 3 Low 95.54 96.08	2-00 2-41 88883 Puts Est. vol. 1,732 3,544	3-14 3-58 26634 Open Int 2,344 5,073
THO THO THE COURT OF THE COURT	0-09 0-01 0-et, Calls 13 BOND FUT Open 95.54 95.14	0-48 1 0-25 0 54 Puss 236 URES (MA Sett price 95.88 95.18 BONID FUT	-04 1-45 1-13. Previous. TIF) ECU10 Change +0.90 +0.62 URES (CS	98 1-05 16 1-61 day's open 90.000 High 95.92 95.50 High	Low 95.54 96.08	2-00 2-41 8283 Puts 1,732 3,544 1100% Est. vol.	3-14 3-56 20634 Open int 2,344 5,073
110 111 Ear. vol. te Ecu E ECU : Dec Mer US E US TE	0-09 0-01 0-01 0-01 13 80ND FUT Open 95.54 95.14 REASURY I	0-48 1 0-26 0 54 Pus 226 URES (MA) Sett price 95.88 95.18 BOND FUT Latest 113-12	1-04 1-04 1-05 1-05 1-05 1-05 1-05 1-05 1-05 1-05	38 1-05 16 1-61 day's open 30,000 High 95,92 95,50 T) \$100,00 High 113-30	Low 95.54 96.08 0 32nds c	2-00 2-41 8883 Puts Est. vol. 1,732 3,544 d 100% Est. vol. 11,158	3-14 3-56 25634 Open Int 2,344 5,073 Open Int 56,479
110 111 Ear. vol. to Ecu E Ecu : Dec Mer US R US TE	0-09 0-01 ord, Cale 13 BOND FUT Open 95.54 95.14 REASURY 1 113-24 113-12	0-48 1 0-26 0 54 Puss 226 URIES (MA Sett price 95.88 95.18 BOND FUT Latest 113-12 112-31	-04 1-45 1-13. Previous. TIF) ECU10 Change +0.90 +0.62 URES (CS	38 1-05 16 1-61 649's open 30,000 High 95,92 95,50 1) \$100,000 High 113-30 113-16	Low 95.54 96.08 0 32nds c Low	2-00 2-41 ESES Puts 1,732 3,544 2 100% Est. vol. 11,158 402,092	3-14 3-58 20634 Open in 2,344 5,073 Open in 56,479 419,511
110 111 Gar. vol. to Ectu IF ECU 1 Dec Mar US IF US TF	0-09 0-01 0-01 0-01 13-24 95.54 95.14 0per 113-24 113-21 113-01	0-48 1 0-26 0 54 Pus 226 URES (MA) Sett price 95.88 95.18 BOND FUT Latest 113-12	1-04 1-04 1-05 1-05 1-05 1-05 1-05 1-05 1-05 1-05	38 1-05 16 1-61 day's open 30,000 High 95,92 95,50 T) \$100,00 High 113-30	Low 95.54 96.08 0 32nds c	2-00 2-41 8883 Puts Est. vol. 1,732 3,544 d 100% Est. vol. 11,158	3-14 3-56 25634 Open Int 2,344 5,073 Open Int 56,479
110 1111 Est. vol. 1: Ects FCU :  Coc Mar  Coc Mar  Coc Mar  LS FCU :  Coc Mar  LS FCU :	0-09 0-01 0-01 0-01 13-6 0-01 15.54 95.14 0-01 13-24 113-21 113-01	0-48 1 0-26 0 54 Pure 236 0 54	1-04 1-4-5 1-3, Previous TIF) ECU10 Change +0.90 +0.62 URIES (CB URIES (CB -0-07 -0-09	38 1-05 16 1-97 16 1-97 10.000 High 95.50 11) \$100.00 High 113-30 113-01	Low 95.54 96.08 0 32nds c Low 113-12 112-18	2-00 2-41 8263 Puls 1,732 3,544 21 100% Est. vol. 11,158 402,092 393	3-14 3-56 20634 Open int 2,344 5,073 Open m 56,479 419,511
110 1111 Est. vol. 1: Ects FCU :  Coc Mar  Coc Mar  Coc Mar  LS FCU :  Coc Mar  LS FCU :	0-09 0-01 med, Calls 13 BOND FUT Open 95.14 REASURY 1 Open 113-24 113-12 113-01	0-48 1 0-26 0 54 Pure 236 0 54	1-04 1-4-5 1-3, Previous TIF) ECU10 Change +0.90 +0.62 URIES (CB URIES (CB -0-07 -0-09	38 1-05 16 1-97 16 1-97 10.000 High 95.50 11) \$100.00 High 113-30 113-01	Low 95.54 96.08 0 32nds c Low 113-12 112-18	2-00 2-41 8263 Puls 1,732 3,544 21 100% Est. vol. 11,158 402,092 393	3-14 3-58 20634 Open int 2,344 5,073 Open int 56,479 419,511 15,013
110 1111 Est. vol. 1: Ects FCU :  Coc Mar  Coc Mar  Coc Mar  LS FCU :  Coc Mar  LS FCU :	0-09 0-01 med, Calls 13 BOND FUT Open 95.14 REASURY 1 113-24 113-12 113-01	0-48 1 0-26 0 S4 Pus 226 URES (MA Satt price 95.88 95.18 SOND FUT Latest 113-12 112-31 112-27 G TERRA J 00ths of 14	I-04 1-45 1-35. Previous TIF) ECU10 Change +0.90 +0.62 URIES (CB URIES (CB O-0-09 -0-09	38 1-05 16 1-97 16 1-97 10.000 High 95.92 95.50 17) \$100.00 High 113-30 113-18 113-07	1-44 2-24 int., Cola. 3 85.54 96.08 0 32nds of Low 113-12 112-18	2-00 2-41 8283 Puls 1,732 3,544 4 100% Est. vol. 11,158 402,092 393	3-14 3-58 20634 Open int 2,344 5,073 Open int 56,479 419,511 15,013

		_												
	_1	neid				week			Meld			"Tr	eek	Yark
Notes	int	Red	Price £	+&-	High	Law	Notes	H	Red	Price £	+#-	High	LOw	Maine (1) (2) Price 2 + or - High Law
Shorts" (Lines up to Five Y	(MCS)						Treat 712pc 2006##	7.55	7.61	500	+4	101登	941	index-linked (b)
Treas 131-pc 1997##	13.16	5.70	100/4	_	1073	100%	Tress 7 %oc 2008tt	7.65	7 63	100E3		1034	96.7	45-pc 98#(135-6 0.01 213 1138 +4 1149 1114
Exch 10 <sup>1</sup> 20c 1997	10,43	6.04	10033	_		100,%	Trees 8pc 2002-811	7.86	7.52	10133	+12	10435	97%	21-200 171(78.5) 2.81 5.24 1841 +3 1852 1764
Treas Cov 7pc 1997##	6.97	6.32	100%	_	101]}	100					_			21-pc 10 (78.8) 2.85 3.31 101 +2 1824 1715
Trans 8 Tupo 1997##	8.61	6.34	101 13		107	1013	Trees 114gc 2003-7	9.75	7.48	12012	-4	1255	1163	430c 7041(135.0] 2.93 3.95 118 +2 119 11233
Each 15pc 1997	14.01	6.44	107%	_	115	10233	Treas 81 <sub>2</sub> 0c 2007 ##	<b>J.02</b>	7.65	106人	+4	100 <u>76</u>	101人	200 0668.5 3.00 3.41 190\(\delta\) +\(\delta\) 192\(\delta\) 179\(\delta\) 2\(\delta\) 0078.80 3.21 3.47 171\(\delta\) +\(\delta\) 173\(\delta\) 161\(\delta\)
Exch 84,pc 1998	9.44	8.47	103,			100	Trees Spc 2006 ##	<b>6.18</b>	7.58	10913	150	11235	103	
Teres 74:pc 1998##	7.19	6.54	100%	•••		180,7	Trusts 80c 2009	7.84	7.73	102表	45	10433	9623	
Yreas 157:pc '98##	13.54	8.75	114 2	**	1223	114	Trues 6 1/40c 201022	7.18	7.78	874	-ă	8911	814	2 <sup>1</sup> -30C 7369.21
Buch 12pc 1998	10.95	8.84	1094		1142	109					-32			
Trace 91 <sub>2</sub> pt 1999##	9.04	6.87	105人	+4		97 H	Conv Spc Ln 2011 ##	6,14	7.77	11012	_	11333	104%	2 <sup>1</sup> 200 24#(97.7) 3.47 3.82 1234 +4 1264 1154
Truss Flog Rate 1999			1003	_	100,	997								44-00 3051(135.1) 3.48 3.52 1213 +13 1243 1131
Exch 12 lanc 1999	11.02	6,70	1110	_	1161	11033								
Tream 10 <sup>1</sup> 20c 1999	9.73	9.90	10731		1122	107								Prospective real redemption rate on projected inflation of (1)-
Treas Spc 1999 ##	£ 13	5.87	9773	本	994									10% and (2) 5%. (b) Figures in perentheses show RPI base for
Conversion 10%pc 1999_	9.45	7.01	108.		11247	1075	Over Piliteta Years							Indexing (is 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 105 in February 1987. Conversion
Conv Spc 2000##	854	7.09	105		10833	10313	Trees Sec 201211	8.11	7.77	11013	-2	1142	104登	factor 3.945, RPR for April 1996; 152,6 and for November 1996;
Treas 13pt 2000	11.02	7.30	118	- A	12415	1173	7reas 53zoc 2008-12##	E.77	7.52	812	+2	Må	75%	
Trees 14pc 1996-1	12,74	6.66	1097		116%	10012		_		_		_	_	I GLA.
Treas and 2000##	7.78	7.17	10212	-4		1016		7.85	7.79	10153	-7	105]]	26[3	
Tream File: Rate 2001	5.68		1002		160	293	Treas 74pc 2012-15##	7.78	7.78	100°s	+1	103,	23 <u>H</u>	
Tream 10pc 2001	9.12	7.27	100%	<b>−</b> ĕ	114	100選	Toras 8pc 2015##	7.82	7.76	102권	-&	100支	62/7	
Treas 790 2001 #	7.08	7. <b>25</b>		-	101品	10-5	Trees 8-upc 2017##	6.00	7.82	109%		1132	1025	•
								8.45		142/4	*	144%	13012	Ather Physic Internet
							Each 12pc 2013-17	_			_	_		Other Fixed Interest
							Trees 8pc 2027##	7,80	7.75	10232	**	105]]	85 <u>16</u>	
														Yight

Treas 130¢ 2000 Treas 140¢ 1886-1 Treas 140¢ 2001 # Treas 140¢ 2001 # Treas 70¢ 2001 #	11.52 12.74 7.76 5.68 9.12 7.06	7.30 6.66 7.17 7.27 7.28	118 109% 102½ 100½ 100%	44	124 <u>55</u> 1165 1055 190à 114 101å	106设 101点 2024 100强	Treas 67-20-2008-124+ Treas 77-20-2012-154+ Treas 78-2012-154+ Treas 78-2015-1- Treas 88-2017-1- Each 12pc 2017-17 Treas 89-2017-17		7.22 7.79 7.76 7.76 7.82	ar	经工程文本	84克 105記 103必 100克 113½	75% 9613 9313 9513 1021 <sub>2</sub> 13013	Other Fixed Interest	
Fire to Filmen Ywers Trees 70c 2002±‡ Trees 94,pc 2002± Trees 96c 2003± Trees 106 2003 Trees 107 2003 Trees 1112pc 2001-4 Trees 106 2004± Trees 106 2004± Trees 2006 Trees 124,pc 2006 Trees 124,pc 2005± Trees 124,pc 2005±	7.10 8.81 7.77 8.84 9.93 4.19 8.51 9.88 8.03	7.30 7.42 7.42 7.47 7.30 6.27 7.54 7.50 7.59 7.52 7.58	9972 11052 11053 11353 11354 11354 11354 11354 11354	やすまままもよ	97弘 114号 131号 106弘	107篇 61点 106点 123篇 101条	Undated Cancols op: War Loan S <sup>1</sup> -pocts Copy S <sup>2</sup> -poc '61 Al Treas Bay '66 Al Copy S <sup>2</sup> -poc '61 Al Treas S <sup>2</sup> -poc Treas Z <sup>2</sup> -poc	7,91 7,90 5,52 6,11 7,90 7,95	-	5013 4413 523 3633 3133 3133	- 444 - 444	51Å 46Å 53Å 38Å 33Å 32Å	48½ 41½ 54½ 34½ 28%	105 3pc 73 At	

high alnow comptation: 133,87 (21/0	1/94, k	<b>50.53</b>	(03/0	1175).	Basis 100: Government Securities 15/	0/26 pr	of Floord	Linkers	ont 192	8. SE activity indices rebased 1974				
THE REAL PRINCIPAL AND ADDRESS OF THE PERSON ADDRESS OF THE PERSON AND	eron.				2577.05				_					
FT/ISMA INTERNAT	IUN	AL E	OF	ь.	SERVICE									
Listed are the jatest international bo	nds for	which ti	hore i	s an at	Sequents securdary market. Listest pri	ces at 7	7:00 pm	1 00	Эесепі	ber 16				
terued	26	Offer	Chg	Yield	lawod	Bld	Offer	Citig	Yleki	lasta	ed Bld	Offer	Chg	Yiol
U.S. DOLLAR STRAIGHTS					Spain 74; 03 4000	109	109 <sup>T</sup> g	44	5.50	Abbay Natl Treasury 8 03 2 10	00 1007	101	44,	78
Abbay Nat Treasury 632 03 1000	10012			6.39		10612		+4	5.76	British Land 8% 23 £ 1	50 R53	98		9.5
ABN Armo Bank 74, 06 1000 African Dev Bk 73, 23 500		10212		7.01 7.25	World Bunk 5% 06	1025		+4	5.41 5.17	Denmark 6% 03 £ 8	00 884			6.1
Alberta Province 75 06 1000	1027	103		5.96				440	5.80		00 96\ 00 100			
Asian Dev Bunk 614 06	98 <sup>1</sup> g.	9614		6.64				•	_	Glasco Wellcome 84, 95 2 5	00 104	4 1044	ولو	2
Austria 8 <sup>1</sup> 2 00	1063	108%	,	817	SWISS FRANC STRAIGHTS					Hanson Trust 10 08 &	50 110h	110%		8.
Bencomest 74, 04 1000	8612	1UD-2	1	621	Asian Dev Bank 0 16 500	1051	. 39 <sup>1</sup> 2 106	+4	5.06 2.68		53 115 <sup>1</sup> 2		+1	8.
Stark Ned Germannian 7 03 1000	1024	10212	-	8.05	Council Europe 4% 03 250	1021	103		223	Japan Dev Bk 7 05 £ 2	111 001	100%		71
Bayer Vereinstak 81e 00 500	1054	10512	-	6.21	Dervinerk 44, 99	105	1054		2.37	Land Secs 912 07 2	00 1073	1071		8.5
Belglum 5 <sup>1</sup> 2 03 1000 British Columbia 7 <sup>3</sup> 4 02 500	106	95 <sup>1</sup> 2		6.37 6.41	548 525 00 1FB	70744	103-2		216	Ortado 11 <sup>1</sup> 8 01 E 1	00 1114	1124		7.
British Gas 0.21 1500	164		44		Friend 74 03 300	1113	1153	+18	4.47 2.79	Steem Torret 11% 00 P	50 1034	104 100 <sup>1</sup> 2		. 7.
British Gee 0.21 1500 Currects 6 <sup>3</sup> s 05 1600 Choung Kong Fin 5 <sup>3</sup> s 98 500	984	987	-	6.67	lookered 75g 00 100	1142	115		3.30	Tokyo Elec Power 11 01 2 1	50 11	2 1124		
Choung Kong Fin 5 <sup>1</sup> 2 98 500	964	9814	+18		EB 6 <sup>1</sup> <sub>2</sub> 04 300 Finland 7 <sup>1</sup> <sub>2</sub> 03 300 locked 7 <sup>2</sup> <sub>2</sub> 00 100 inter Amer Day 4 <sup>1</sup> <sub>2</sub> 03 800	106 <sup>1</sup> 8	108		3,70	TOUR LED SLAT ITS LATED "TOTAL	75 TUS-1	. 70/4	•	75
China 6 <sup>1</sup> 2 04	106%	97 <sup>1</sup> 4		7.21 6.09	Ontario 64, 03 400 Custos: Hydro 8 06 100 SNCF 7 04 450	103%	1137 <sub>2</sub>	45	3.69 4.68	World Bank 9 98 NZ\$ 2				7/
Dermark 54, 98 1000	997	106		5.84	SNCF 7 04	1185	1107	4	4.16	Dermark 512 03 FFr	00 1094 00 1087			4.0
Denmark 5 <sup>3</sup> 4 98 1900 East Japan Railway 6 <sup>3</sup> 8 04 800	9912	9914	41º	6.71	Sweden 44, 03 500	108Pg	1063	44	3.60	Boc de Prence 84, 22 FFr 30				
BB 6 04 500	98	983g		6.35 5.86	World Bank 0 21 700 World Bank 7 01 800	26%	23	44	512				•	
Elec de France 9 98	1077	1073	-	639	WOOD BEEK / UI 800	1154	1154	+4	3.11	FLOATING RATE NOTES				
Export Dev Corp 9 <sup>1</sup> <sub>2</sub> 98	106	1054		6.03						house		_	_	Сq
Boson Capital 0 04	60%	61 4	7	6.50	Beightin 5 99 75000 Cracit: Foncier 4% 02 78000	11112	1114		1.09	Abbey Ned Treesury -1, 99 _ 100				5,437
Federal Natl Mort 7,40 04 1500	1024	1027 1051 <sub>2</sub>	419	6.05 8.58	EB 6% 00 100000	1134	114	44	214	Argenturie Global Fin 0 01 70 Beniesznerice 3 99 75	0 99.6			5.50X 5.66X
Ford Motor Credit 64, 06 1500		10012	•	600	Ex-krs Bunk Jepan 43 03 105000	113%	1137	护	270	Carneda - 1, 99 200 CCCE 0 06 Eps 20	99.7			525
General MEs 0 13 1000	26	263		8.42	Inter Amer Day 74, 05 30000	120	12014	•	1.23	CCCE 0 06 Eps 20	99.8			4.062
IN Finance 5 <sup>1</sup> 4 98	96 <sup>5</sup> 8	983,		6.01	Raily 3 <sup>1</sup> 2 01 300000	108	1081	+12	1.85	Commercials O/S Fin -1, 98 79 Credit Lyomeis & 00 80	99.8			5.375 5.937
http:-Amer Dev 712 05 500		1053		6.67	Jacon Dev 8k 5 99	1111	1174	440	2.54	Druecher Finance & 98 DM _ 100	0 100.0			3.160
Int Finance St. 95 970	ou.	99		591	Japan Dev Bk 5 99 100000 Japan Dev Bk 6 <sup>1</sup> 2 01 20000	1224	122	واله	1.63	Fed Net Mort -7: 00 100	997	9 89.8	57	5.812
taly 8 06 2000 haly 6 1/2 23 3500 Japan Dev Bk 8 1/3 01 500 Koren Blac Power 6 1/4 03 1350	984	96 <sup>1</sup> 4 95 <sup>7</sup> 2	.1.	6.44	SNCF 34; 00 30000 Spain 54; 02 125000	1175	117%	-10	1.12	Finland -1 <sub>2</sub> 99	99.9			6.37E
Janan Day Bk 83 01 500	1071-	1073	7	7.39 6.36	Sweden 45g 98 150000	11942	1194, 1043,	+4	1.83	Mr Bunk Int 14 99 50	0 100.1 0 100.4			5.540 6.750
Kores Elec Power 61s 03 1350	975	03	44	6.92	World Surk 54 02 250000	1175	1174	₽Ĩa	1.74	toly 4 99 150 toly 4 98 Ecu 150	100.3			5.500
MRESUSTREE EIRC 74; UZ	103/8	104 <sup>1</sup> 8		6.52				•						4.312
Ontario 7 <sup>3</sup> 2 03 2000 Ontario 7 <sup>3</sup> 4 02 2000	1002	1045		6.57	OTHER STRAIGHTS					LKB Baden-West Ph -1 98 . 100	99.9			143
Oster Kontrollbank 8½ 01 200	1073	106% 108		6.51 6.34	Genfinance Lux 7 <sup>2</sup> 4 03 LFr 4000 BB 7 <sup>4</sup> 5 05 LFr 3000	108	109		592	Lloyde Bank Perp S 0.10 60 Malaysia & 06 69				5.625 5.687
Portugal 51: 03 1000	9674	96 <sup>1</sup> 2		6.54		100	102		2765	Nova Scotle 2 89 50 Ordano 0 89 200	99.9			5.08
Portugal 54; 03 1000 Clushec Hydro 94; 99 180 Clushec Prov 9 98 200	105%	106		6.22	Austria 6 <sup>1</sup> 2 99 Fl 1000 PTT Nederland 6 <sup>1</sup> 2 05 Fl 1300	105%	105%		3.92	Ontario 0 99 200	100,0			5.500
Quebec Prov B 98	103,5	1034		6.00	PTT Nederland 612 05 R 1300					PORTUGEI (4 99 DM 250	0 100.3			3.187
SAS 10 99 200 SNCF 9 <sup>1</sup> 2 98 150	107	107 <sup>1</sup> 2 105 <sup>3</sup> 2		8.46 5.99	9al Caracle 10% 99 CS 150	1124	1131	÷.	5.24	Quebec Hydro (198	99.7			5.562
Spain 6 <sup>1</sup> 2 99 1500	1014	101%	ąĮ,			106	108 108 <sup>7</sup> 4	7	6.36 5.02	Spain - 1 02 DM	98.7		-	5.437 8.347
Spain 6 <sup>1</sup> 2 99 1500 Sweden 6 <sup>1</sup> 2 03 2000 Termassa Valley 8 05 1000	101	1011		6.40		107	107-	_l_		Spain -12 02 DM 2000 State Bk Victoria 0.05 99 12	100.0			5.846
Termessee Valley 8 05 1000	99%	997		6.16	Bac de Parice 94, 90 C\$ 275		11172	4	5.15	Sweden - 1 01 200	98.9			5375
Tennosses Valley 6 <sup>3</sup> s 05	99	38 <sub>7</sub> *	-19	6.68 6.31	KSW Int Fin 10 01 CS 400	115 <sup>1</sup>	11512	7	5.84	United Kingdom -1g 01 2000	99,7	ð 658	9 8	375
Toyota Motor 5% 98 1500	995a	9974		502	Nippors Tei Tei 10 <sup>3</sup> 4 99 C\$ 200 Ontario 6 96 C\$ 1500	1124	113 <sup>1</sup> 2 109 <sup>1</sup> 4	7	524	CONVERTELE BONDS				
United Kingdom 64 01 2000		1021-		622	Omizatio Hwdro 10% 99 CS 500	1121	112%	ᅭ	6.34 4.83		Com.			
United Kingdom 7 4 02 5000	105	1054	44	622	Oster Kontrollbank 10½ 99 CS _ 180	1124	1125	ī	5.10	beced	Price	864 O	Mer	Pres
Wait Dieney 6% 01 1300	100	100 lg		8.47	Quebec Hudro 7 04 CS	102	100	يد		Alled-Lyons 64, 08 £ 200			_	
Warld Bank 6% 05 1500	9914	89½	+4	6.59	Quebec Prov 10 <sup>1</sup> 2 98 CS 200	1104	110	<u>ئ</u> و۔	4.87	Gold Kelmovia 71, 60	6.04	93% 9 1061 <sub>2</sub> :		-7.5 -7.5
World Bank 61g 99 1500	105%	107		5./6	Council Europe 9 01 Scu 1106 Credit Fonder 8 9 04 Ecu 1000	115 k	115			Gold Kalgoorie 71 <sub>2</sub> 00 05 Grand Metropolitan 61 <sub>2</sub> 00 710	4.37	119	113	<del>1</del> 7.0
DEUTSCHE MARK STRAIGHTS						1114	1113	#		Maneon America 2.35 01 420	17 040	87 <sup>1</sup> 2 8	84	
Austria 61/2 24 2000	95 <sup>5</sup> a	957	ᄹ	8.26	SC 600 Scu 1100	1043	1144 1044		-	MONO KONO I SNY A CH AND	31.05	227 8	ζ'n,	-6.3
Beden-Wherit L-Finance 6 99 . 2000	1043	105	•	386	SC 8 00 Scu 1100 SB 10 01 Scv 1150	118	11814		-23	L27G Secs 64 02 C	672		107	-1.5
Credit Fonder 74, 03 2000	107	1077	÷	5.75	Ferro del Stat 10 <sup>1</sup> 4 98 Ecu 500	105%	106	•	4.33	Literno 7%, 06 2 90 MBL Ind Fin 3 02 2000	5.84 22			_0.0
Denmark 6 <sup>1</sup> g 98	103%	10312		2.47	Baby 10% 00 Scu 1000	1177	118		7400	MRSUI Block 25, (R	ם בכבל	106 10 88	64	-02 -782
Depts Finence 64 02	100%	103 <sup>5</sup> 1		3./3 6.74	United Kingdom 8 <sup>1</sup> 4 O1 Ext 2750 AIDC 10 98 AS	115 1074	115	护	5.05	Ogden E 02	39.077	94 9	رآی	œ.
Dautsche Finance 5k 04 2500	100%	00	44.	5.70	Comp Bk Australia 13% 88 AS 100	1162	1074 1174	J.	674 8 PH	Ogden & 02 85 Pennaol 44 03 500	58,8097	1104 11	14	+4.5
EEC 6 <sup>1</sup> 2 06 2900	106 <sup>1</sup> 2	106 <sup>5</sup> s	ᄹ	4.30	EB 74 99 AS	104	104 <sup>1</sup> 2	3		39 XXX CEORE 2 12	1302.26	1104 11	142	+8.8
EB 64 00 1500	105%	106	+4	434	NEW Treesury Zero 0 06 AS 1000	1810	16 4	+34	7.92	Seppi EM Finance 7 <sup>1</sup> 2 02 250 Sepport 1 <sup>3</sup> 8 00	74	0174 0	or.	
Firstand 7 <sup>1</sup> 2 00	100	10912		426	7 &   Bark 7 4 05 A5 125	W	1024	415	7.99	381780000 Bank 34 D4 906	1009,4 3808 0	100	101 Maria	10.0
New 74, 95 5000 UKB Besten-Wuent 6½ 06 2250	106,4	1044		3J07	State Bk NSW 9 02 AS 300 Sh Aust Greet Fin B 02 AS 150	10/2	107%	44	7.34	SUFF (1988) 714 108 12	39	1174 12	44	כחכי
Norman 61e 90 2200		1023	77	4.60	Sth Aust Govt Fin 9 02 AS 150 Uniferer Acutation 12 OR AS 150	1001	1077	-	7.37	Transatiantic Hictor 512 09 2 . 250	505	87 <sup>1</sup> 2 B	ab.	143



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### **CURRENCIES AND MONEY**

# D-Mark falls further after stability pact deal

MARKETS REPORT

descent yesterday in the the D-Mark Strategists said French franc at FFr5.242. wake of Friday's deal on a that since it was the first fall believe the pact makes it still seemed secure.

more likely that Emu will The dollar closed

into the euro. slight softening on Friday night when the pact was first agreed. Currency strategists said the market had been relatively quiet yesterday because the pact did little to clarify whether the euro would be hard or soft. and whether Emu was now more or less likely to include a large number of countries. Mr Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London, said: "There are still huge question marks." Trad-

ing was thin in the run-up to that the pact had reduced the Christmas holidays.

index of business confidence The US currency closed 2 The D-Mark continued its for November barely affected centimes higher against the

take place, and thus that the don at DML554 to the Ger-D-Mark will merge with tra- man currency, 0.8 pfennigs nigs up on Friday's London the Swiss franc to SFr0.854.

most European currencies, as traders expected future Emu members to keep interest rates lower over the medium to long term, now

1.6640 1.6632 1.9907 1.6477 Dec 16 1.6560 1.6553 1.6529

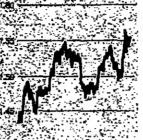
their scope to stimulate their The fall in the German Ifo economies by fiscal means.

Sterling rose with the dolstability pact for European in the index for months, the lar against the D-Mark, and monetary union. Traders German economic recovery is now approaching the levels from which it plummeted 456 The dollar closed in Lon- at the start of this month. The pound closed 1.8 pfen-

ditionally weaker currencies up on Friday's London close close, at DM2.582 to the and about 0.4 pfannigs up on D-Mark, and 0.4 cents stron-However, the D-Mark's fall its level in US trading late ger against the dollar at was modest, and followed a on Friday after the stability \$1.682. It finished the day at pact was announced. But the 93.7 per cent of its 1990 value D-Mark rose slightly against a gainst a trade weighted basket of currencies, up from The dollar firmed against 93.2 at Friday's London

> The dollar also rose against the yen, although traders largely ignored the strong US industrial produc-rency economist at Goldman tion figures for November.

Acieless the D-Mark 10% per \$ 170



purchases had forced traders to buy dollars on the spot market to cover the options. The dollar rose Y0.2 to Y114.

rency economist at Goldman Sachs in London, rejects the One reason cited for the common view that the stability pact should help the dollar. The options on the dollar. The options will pay out if the yen falls below Y115 or Y120 to the US currency. The higher on news of the pact. Y120 to the US currency. The higher on news of the pact.

DOLLAR SPOT FORWARD AGAINST THE DO

He takes this position because he believes the dol- deputy director general at lar is already correctly the German finance minispriced against the euro, pre- try, said yesterday that the suming the currencies that current dollar/D-Mark level join Emu enter at their pres- of about DM1.55 was "a parent exchange rates. Since ity which can be defended on the future European cur- the financial markets". rency should retain its value His comment - if supagainst the dollar, then just ported by senior Bundesbecause the pact raises the bank officials - could sug-

reason to buy dollars. Mr O'Neill said: "The only French franc against the dolreason to make a dollar-bullish story out of the pact is if you think European central stimulate their country's banks are now more likely to lower interest rates. And if French prime minister, has the Bundesbank doesn't ease early next year, the market may get pretty disappointed about the dollar."

WOTHER CUM

chances of the euro replac- gest that Germany will ing the D-Mark, that is no reject French attempts to weaken the D-Mark and the lar. Most French politicians believe devaluation would economy. Mr Alain Juppe pledged to raise the issue of what he called the dollar's

strength with G7 countries. The dollar had long stayed within a band of DM1.50-1.55 against the D-Mark, but this month it has penetrated the top of that band.

 For the latest market update, ring FT Cityline on 0891 430003 See page 1 for call charges

WORLD IN						-	-	
HONEY RA	TES							
ecember 16	Quer night	One	Three mits	Sox	One year	Lomb. inter	Dist	Rept rate
leigkun	34	34	34	3%	3.	6.00	2.50	
FRACE	311	3%	316	32	34	3.20	-	4.75
ermony	34	3.5	32	36	3₩	4.50	2.50	3.00
wland	54.	52	53	57	6	-	-	6.23
	730	72	7%	80	6.	9.00	7.50	7.3
atherlands	2%	23	34	34	3/	-	3.00	3.30
adtzerland	12	12	15	12	2	-	1.00	
S	5%	5%	15 59	5	5%	-	5.00	•
ереп	ë	_ :	1/4	13	<u> </u>		<u> 0.50</u>	_
\$ LIBOR FT LO	ndon							
starbenk Fliding		513	52	51	5%	-	•	-
S Dollar CDs	-	4.85	5.05	5.11	5.27	-	-	
CU Linked Ds	-	45	44	416	414	-	-	
DR Linked De	_	32	33	374	312	_	-	

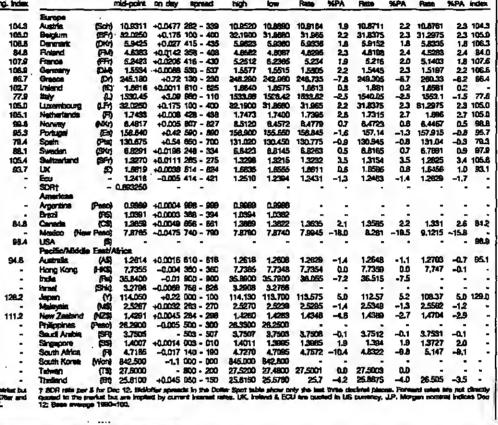
C Money Ruse, USS CDs. ECU & SDR Linked Depo

Dec 16	Short	7 days notice	One month	Tivree months	months.	One year
Belgian Franc Denish Krone D-Mark Dusch Guilder French Franc Portuguesa Esc. Sperish Pegeta Sterling Swine Franc Can. Dollar US Dollar US Dollar US Dollar US Dollar US Balan Ura Yan Asian SSing Short term rates 4 WE THAPELE MOD						312 - 313 312 - 313 313 - 313 314 - 313 315 - 313 615 - 513 617 - 513 617 - 513 618 - 513 619 - 619 619 - 619

	Open	Sett phos	Change	High	Low	Est. vol	Open int.
Dec	96.57	95.56	+0.01	95.57	96.55	5,672	33,340
Mer	96.69	96.67	+0.04	96.70	95.66	25,661	63,703
Jun	96.65	96.65	+0.06	96.67	96.64	5.471	37,843
E THE	EE MONTH	EUROMA	RIC FUTT	JAES (LIF	FE)" DM1r	n points of	100%
	Open	Sett price	Change	High	Low	Est. wal	Open int
Dec	96.76	96.75	-0.02	96.76	96.75	21090	171184
Mar	96.86	96.88	+0.02	96.89	96.86	41709	208076
Jun	96.81	98.84	+0.03	96.86	96 81	33115	170654
Sep	96.70	96.72	+0.04	96.73	96.60	26970	141208
ONE		DISCOULABLE	_	_			
	Open	Sett price	-	_	LOW	Est, vol	Open int
Dec	96.68	96.69	-0.01	96.69	96.69	100	3671
Jan	96.92	96.91		96.92	96.90	1052	8724
Feb	96.92	96.92	+0.02	96.83	95.92	923	7836
Mar	96.91	96.81	+0.02	98.93	96.91	603	1210
THRE	EE MONTH						
	Open	Sett price	_	High	Low	Est. vol	Open int
Dec	92.62	92.80	-0.01	92.82	92.79	5886	51321
Mar	93.56	93.64	+0.06	83.65	<b>93.58</b>	30110	90214
Jun	<b>B3.87</b>	94.04	+0.07	94 05	93 87	5974	51649
Sep	94,18	94,16	+0.06	94.18	94.12	5000	29188
THE	E MONTH IEL	MO SWISS	FRANC P	TURES (L	FFE) SFrim	points of 10	0%
	Open	Sett pace		High	Low	Est. vol	Open int
Dec	97.99	97,94	-O.Q4	97.99	97.94	606	23761
Mar	98.18	96.11	-0.05	98.16	98.09	9229	38658
, Part	BB.08	98.03	-0.04	98.DB	99.01	1406	17758
Sep	97.92	88,79	-0.04	97.92	87.87	421	6876
THRE	E MONTH	EUROYE	EUTUR	ES (LIFFE	) Y100m p	conts of 10	X0%
	Open	Sett price	Change	High	LOW	Est. vol	Open int
Mer	96.47	89.47	+0.02	99.48	99.47	462	n/a
Jun	99.38	99,38	+0.02	99.39	99.38	360	n/a
Sep	99.25	99.26	+0.02	98.28	99.25	2143	n/a
E THRE	HTWOM SE	ECU FUT	URIES (LI	FFE) Ecul	m points o	100%	
	Open	Sett price	Change	High	Low	Est. vol	Open Int
Dec	95.81	95.81	-0.01	95,82	95.81	563	7327
Mer	95.94	95.94	+0.02	95.95	95.94	1529	9011
Jun	P5.96	95.88	+0.03	95.97	95.94	367	4300
Sep	95.92	95.93	+C.D4	95.95	96.92	231	3206
LIFTE M	DLIRA DPT	ded on APT	E 1000		of 10094		
Strike	THE PERSON NAMED IN	CAL		TT PONTES	0,000	PUTS -	
Struce Price	De			žn	Dec	Mer	Jun
					•	200	200

17th December 1996

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New Issue

EXCHANG	E C					_ u.'				4	_	<b>A.</b>	<u></u>		~		Y	
Dec 16		Bfr	DKr	FFY	DM	K	<u> </u>	FL	MKr	_ =	Pta	SKr	SFT	<u>£</u>	C\$			Ecu
Belgiven	(BFr)	100	18.58	16.37	4.852	1.879	4778		20.24	489.1	408.3	21.83	4.143	1.879	4.263	9.123	356.1	2.514
Donnwark	(DKI	53.89	10 .	8.821	2.614	1.013	2575		10.91	253.8	220.0	11.49	2,233	1.013	2.297	1,883	.191.9	1,355
France	(FFr)	61.09	11.34	10	2.964	1.148	2918	3.325	12.38	298.0	248.4	13.03	2.531	1.148	2.804	1.908	217.5	1,538
Gernwary	(DM)	20.61	3.825	3,374	1 .	0.387	984.9		4.171	100.8	84.15	4.396	0.854	0.387	0.878	0.844	73.38	0.516
brefend	(00)	53.22	9.876	B.712	2.582	1	2543	2.897	10.77	250,3	217.3	11.35	2.205	1.000	2.253	1.882	188.5	1.338
taly	(L)	2.093	0.388	0.343	0.102	0.030	100.	0.114	0.424	10.24	8.545	0.446	0.087	0.038	0.089	0.065	7,452	
Votherlands	<b>6F0</b>	18.37	3.400	3.007	0.891	0.345	877.2		3,718	89.85	75.01	3.918	0.761	0.345	0.783	0.574	85.41	0.482
Norway'	(MKV)	49.42	9.170 .	8.089	2.397	0.829	2351	2.690	10	241.7	201.8	10.54	2,047	0.929	2.107	1,543	176.0	1.242
Portugal	(Es)	20.45	3,794	3.347	0.992	0.384	976.5		4.138	100.	83.48	4.360	0.847	0.384	0.872	0.538	72.80	
Spein	(Pta)	24.49	4.545	4,009	1,188	0.460	1170		4.956	119.8	100.	5.223	1.015	0.460	1.044	0.765	87.21	0.616
Sweden	(SKI)	46.89	B.701 ·	7.878	2.275	0.881	2241	2.552	9,489	229.3	191.5	10	1.943	0.881	1.999	1.464	167.0	1.179
Switzerland	(SFr)	24.14	4.479	3.951	1,171	0.454	1153	1.314	4.884	118.0	98.55	5.147	1	0.454	1.029	0.754	85.94	0.507
JK.	(2)	53.22	9.876	B.712	2.582	1.000	2543	2.697	10.77	260.3	217.3	11.35	2,205	1	2.269	1.862	188.5	1.338
Canada	(CS)	23,46	4.353	3.840	1,138	0.441	1121	1.277	4,747	114.7	95,77	5.002	0.972	0.441	1	0.732	83.52	0.580
JS	(5)	32.02	5.942	5.242	1.554	0.602	1530	1.743	6.480	156.5	130.7	6.829	1.327	0.802	1.365	1	114.0	0.805
Japan .	M	28.08	5.212	4,597	1,363	0.528	1342	1.529	5.683	137.4	114.7	5.989	1.184	0.328	1.197	0.877	100.	0.708
Ecat		39.78	7.381	6.511	1.930	. 0.747	1901	2.185	8,049	194.5	162.4	8.485	7.648	0.747	1.596	1.242	141.5	1
Danish Kroner, Fr	ench Fr	ano, Norv	veglan Kro	mer, and	Swedish	Kroner pr	10; Be	igien Franci	Yen, Esc	audo, Lire	and Peer	per 100	a.					
D-MARK F		-	DM 125		- T04				- 4	APANE	SE YEN	FUTURE	ES (MIMI)	Yen 12.5	per Ye	100		
							est, vol	Open int.			Open	Latest	Chang	- 22		_	st. vol	Open Int
Op		Latout .					-		_				_					
Dec 0.6		0.8441	+0.000		. —		6,896	34,355	Dac		0.8785	0.8787	40'000				5,974 27,277	23,708 51,907
Aer -	-	0.6478	+0.000	6 0,64	182 U	3454	24,965	47,004	Mer		Q.8889	CONSCIO	+0.001	c was	. u.	OSV	217	31,807

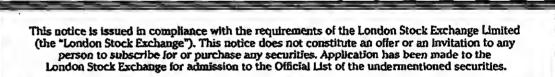
Mer Jun B SWISS P Dec Mer	0.7513	0.8441 0.8478	+0.0005 +0.0006	0.6482	0.8429 0.8484	6,896 24,965 133	34,355 47,004 4,408
Mer Jun B SW183 P Dec Mer	FANC P	0.6478	-		0.8484		
Jun B SW333 P Dec Mer	0.7513		-		-	133	4,408
Dec Mer	0.7513	UTURAS	MANO SEC				
Mer				125,000 p	er SFr		
		0.7544	-0.0014	0.7544	0.7525	3,408	32,779
Jun	0.7607	0.7612	-0.0010	0.7612	0.7588	19,217	42,210
	0.7880	0.7665	-0.0024	0.7661	0.7680	30	1,382
UK IN	ERE	ST RA	res				=
LONDO	N MC	NEY P	ATES				
Dec 16		Over- night	7 days notice	One		Siz. months	Otre
Interteenk Ste	rting	64 - 54	6 <sup>1</sup> s - 5]\$	64 - 8	64 - 64	67 - 67	63 - 64
Sterling CDs					64 - 64	613 - 613	817 - 64
Treasury Bills		-	-	513 - 5%			
Barrie Billio		-		518 - 57	616 - BIE	6 6.	
Local guthor	y dece.	5% - 5%	5% - 54	63 - 6	23 - 64	616 - 616	671 - 64
Discount Mar	ket depe	612 - 57	6 - 54				-
UK clearing i	ank bes	e lending n	ate 8 per d	cent from C	October 30,	1986	
			Up to 1	1-3	3-6 months.	6-9	9-12 months
			month	month	inanus.	startal 2	
Certs of Tax	den (C1	00.000	212	512	5	5	434
Certs of Yax of Ave. Sender rei		C+100 000 le	2 <sup>1</sup> 200, Dep	ceits will'cir	own for qual	1%pc.	

Mer Jun	95,63 93,47 93,22	Sett price 93,62 . 93,45	-0.01	85.63	93,61	5010	89170
Mer Jun	93,47						
Jun -				93,47	93,43	7955	95307
	83.22	93.20		93.23	93.18	7236	84263
Sep	93.00	93.01	+0.02	93.03	92.99	. 5483	56930
Dec	92.84	92.82	+0.02	92.85	92,81	3541	42277
Also traded or						f 100%	

	BA	SE LENDING	KA	1£3	
	*		*	NetWestminier	8.00
Adam & Company .	6.00	Cyprus Popular Bank	8.00	eRes Brothers	BOX
Alled trists Bank (GB)	6.00	Duncan Lawre	6.00		800
Mari Trust Bank	6.00	Exister Bank Limited	7.00	Singer & Friedlander	
SHenry Anebacher	6.00	Financial & Gen Bank	7.00	eenth & Wilman Sec	
Bank of Boroda	8.00	eRobert Fleming & Co		Scotish Widows Bank	
Banco Bábao Vizcava	6.00	Girobenk	8.00		8.00
	8.00	arGuinness Mehon	6:00	TSB	
ank of Cyprus		Habib Bank AG Zurich		United Bank of Kump).	5.00
lank of tratand	6.00	el·lembros Bank ·	6.00	County and	6.00
lenk of tode	6.00	Hartstyle & Gan lev Bl		Western Trust	
Senix of Societated	6.00	erilli Sumuei	6.00	database 1	6.00
Bandays Bank	6.00	C. Hoore & Co	400	Yorkshire Bank	600
Brit Sk of Mild East	6.00	Hongleing & Shanghai	6.00		
Officer Stapley & Collid	6.00	Julian Hodge Bank	6.00	<ul> <li>Mombers of Lundor</li> </ul>	
Citicanik NA	6.00	ed appoint Joseph & Sons	8.00	towerment Berichts	
Clyclesciple Barris	8.00	Lloyds Bank	6.00		
The Co-operative Barr	65.00	Midland Bank	5.00	" in administration	
Course & Co.	em.	"Mount Gredit Corp	825		

Dec Mar Jun	1.6590 1.6534 1.6520	1.6610 1,6582 1.6526	+0.005 +0.005 +0.004	5 1.6600	1,6585 1,6558 1,8520	5,358 9,118 100	30,90 22,18 2,210
	UROPE						
Dec 18	Ecu co		tete rat Ecu	Change on day	% +/- tron	· V WEEL	
kelend	0.79870			0.001789	-5.83	7.6	5 35
Pintend	5.85€		79495	-0.00207	-1.01	2.4	
Portugal	197.35	8 15	5.718	+0.11	-0.85	2.3	
Spain	163.8		53.269	+0.107	-0.34	1.7	
Raly	1906.4		10.22	+0.00444	0.20	1.1	
Reighen Beighen	39.719		17750	+0.0748	0.71	0.6	
Germany	1.925		94064	+0.00389	0.78	0.5	
Acestria	13.548		1.8571	+0.0267	0.80	0.5	ř -
Denmark	7.345		42614	+0.00744	1.10	0.2	
France	6,4586	53 6.	54723	+0.00564	1.37	0.0	0 -1
	MEMBERS						
Greece	295.26 0.79310		08,065 52135 -	-0.135 -0.006274	3.68 -5.17	-2.2 6.8	
Percentage of between two currency, and central rate. 1	~				,		
E PHLA	DELPHA 4					ound)	
Strike	DELPHA 4	E £/5 C	PTIONS	£31,250 k	cents per p	PUTS -	
Strike Price	Dec Dec	E £/\$ 0	LS	E31,250 k		PUTS -	Feb
Strike Price 1,640	Dec 1.33	E 2/5 0	LS	E31,250 k Feb 2,88	cents per p	Jan 0.93	Feb 1,71
Strike Price 1,640 1,650	Dec Dec	E 2/5 0	PTIONS	E31,250 k Feb 2,88 2,38	Dec	Jan 0.93 1.34	Feb 1,71 2,04
Strike Price 1,640 1,650 1,660	Dec 1.33	E 2/5 0	PTIONS	£31,250 k Feb 2,88 2,38 1,91	Dec	Jan 0.93 1.34 1.88	Feb 1.71 2.04 2.69
Strike Price 1,640 1,653 1,560 Pravious day	Dec 1.30 0.37	25 1.6 226 Pos 3	PTIONS 11.5 27 59 21 718 - Prov.	E31,250 k Feb 2,88 2,38 1,91 de/1 open	Dec 0.56 int., Celte 34,	Jan 0.93 1.34 1.85 268 Puis F	Feb 1.71 2.04 2.69
Strike Price 1,640 1,653 1,560 Pravious day	Dec 1.33 0.37	25 CAL June 25 1,0 1,0 1,0 1,0 1,0 1,0 1,0 1,0 1,0 1,0	PTIONS 11.5 27 59 21 718 - Prov.	E31,250 k Feb 2,88 2,38 1,91 de/1 open	Dec 0.56 int., Celte 34,	Jan 0.93 1.34 1.85 268 Puis F	Feb 1,73 2,04 2,69 7,320
Strikes Price 1,640 1,650 1,650 Pravious day	Dec 1.33 0.37	25 CAL June 25 1,0 1,0 1,0 1,0 1,0 1,0 1,0 1,0 1,0 1,0	PTIONS 1.S	E31,250 k Feb 2,88 2,36 1,91 de/1 open	Dec 0.56 int., Celte 34,	Jan 0.93 1.34 1.88 268 Puls Fi	Feb 1.71 2.04 2.69
Strikes Price 1,640 1,650 1,650 Pravious day	Dec. 1.30 0.37 's vol., Calls	2.5 Q 1.5 1.5 1.5 826 Pos 1	PTIONS 125 27 39 21 718 - Prov.	E31,250 k Feb 2.88 2.38 1.91 day's open Frions D	O.55 krt., Cells 34,	PUTS — Jan 0.93 1.34 1.88 288 Puts E per CM)	Feb 1,73 2,04 2,69 7,320
Strikes Price 2,840 1,850 1,850 Pravious day E PRILAT	Dec 1.30 0.37 rs vol., Calls Dec Dec	25 Pots 3	PTIONS 1.5	E31,250 k Feb 2,38 1,91 day's open P110HS D Feb 1,20 0,82	O.55 O.55 O.25 O.86 34, O.862 500 (\$	PUTS — Jan 0.93 1.34 1.88 268 Puts Fr DMD PUTS — Jen 0.41 0.61	Feb 1,71 2,04 2,69 7,320 Feb 0,61 0,83
Strikes Price 1,640 1,650 1,650 Pravious de; E PHILAI Strike Price 0,640 0,645 0,650	Dec 1.33 0.37 Fs vol., Calls Dec 0.34	21 24 25 Post 1	PTIONS 1.5 27 29 21 11 27 29 21 21 21 21 21 21 21 21 21 21 21 21 21	Feb 2.88 2.38 1.91 day's open Feb 1.20 0.92 0.68	0.56 int., Cala 34, A462.500 (\$ Dec 0.14 0.62	PUTS — Jan 0.93 1.34 1.83 258 Puts Find 1.85 258 258 258 258 258 258 258 258 258 2	Feb 2.69 7.320 Feb 0.61 0.83 1.11
Strike Price 2,640 1,650 1,650 Pravious de; E PRILAI Strike Price 0,640 0,645 0,650	Dec 1.30 0.37 rs vol., Calls Dec Dec	21 24 25 Post 1	PTIONS 1.5 27 29 21 11 27 29 21 21 21 21 21 21 21 21 21 21 21 21 21	Feb 2.88 2.38 1.91 day's open Feb 1.20 0.92 0.68	0.56 int., Cala 34, A462.500 (\$ Dec 0.14 0.62	PUTS — Jan 0.93 1.34 1.83 258 Puts Find 1.85 258 258 258 258 258 258 258 258 258 2	Feb 2.69 7.320 Feb 0.61 0.83 1.11
Strikes Price 1,640 1,650 1,650 Pravious day E PRILAT Strike Price 0,640 0,845 0,850 Previous day	Dec 1:33 0.37 Fe vol., Cate Dec 0:34	22 1.6 2.5 0.6 2.5 2.5 2.5 2.5 2.5 2.5 2.5 2.5 2.5 2.5	PTIONS 101 27 29 21 113 113 115 115 115 115 115 115 115 11	E31,250 k Feb 2,28 2,38 1,91 day's open F10WS D F10WS D 1,20 0,82 0,63 74, day's open	Dec 0.58 O.58 O.58 O.59 O.59 O.59 O.59 O.59 O.59 O.59 O.59	Jan 0.93 1.54 1.83 268 Puis Fi per CM) PUTS — Jen 0.41 0.61 0.91	Feb 0.61 0.83 1.11
Strikes Price 1,640 1,650 1,650 Pravious day E PRILAT Strike Price 0,640 0,845 0,850 Previous day	Dec 1.33 0.37 fe vol. Cala Dec 0.34 fe vol. Cala	25 CAL Jan 25 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6	PTIONS 11.5 10.7 10.7 10.7 10.7 10.7 10.7 10.7 10.7	E31,250 k Feb 2,38 2,38 1,31 day's open P710MS 0 1,20 0,82 0,63 rev. day's op	Cec Constant par	PUTS — Jan 0.93 1.34 1.88 268 Puts E DM) PUTS — Jen 0.41 0.61 9.21 48.327 Put 1966 9.21 9.21 9.21 9.21 9.21 9.21 9.21 9.21	Feb 1,71 2,04 2,69 7,320 Feb 0,61 0,63 1,11
Strike Price 1,640 1,650 1,650 Pravious day  Strike Price 0,640 0,845 0,850 Pravious day	Dec 1.33 0.37 Fe Vol., Calle Dec 0.34 Fe Vol., Calle EMONTH E	25 CAL 3826 Pots 1	PTIONS  LLS  IN  27  59  21  THE Prov.  BISS  18  Charge	E31,250 k Feb 2,38 1.91 day's open P10MS D 0.82 0.89 rw. day's op High	O.55 O.55 O.55 O.55 O.55 O.55 O.50 O.55 O.50 O.52 O.14 O.52 O.152 O.152 O.152 O.152 O.152 O.152 O.153 O.152 O.154 O.552	Jan 0.93 1.34 1.88 268 Puts F CM() PUTS — Jen 0.41 0.81 9.91 48,327 Put Est. vol	Feb 1,71 2,04 2,69 7,320 Feb 0,81 0,85 1,11 9 38,747 Open 3
Sprice Price 1,840 1,850 1,850 1,850 Pravious day E PRILAT Strice 0,840 0,845 0,850 Previous day	Dec 1:30 0:37 Fs vol., Calls Dec 0:34 Fs vol., Calls D	2.5 CAI Jan 2.5 Puts 1 Jan 2.5 Puts 1 Jan 2.5 Puts 1 Jan 2.5 Puts 1 Jan 2.5 Puts 2 Jan 2.5 Puts	PTIONS 11.5 10.7 10.7 10.7 10.7 10.7 10.7 10.7 10.7	E31,250 k Feb 2,38 1,91 de/s open Feb 1,20 0,59 rev, de/s or m High 94,47	Dec	PUTS — Jan 0.93 1.34 1.88 268 Puts E P	Feb 1,71 2,04 2,69 7,320 Feb 0,81 0,85 1,11 3,38,747 Open 1,338,24
Strike Price 1,640 1,950 1,950 Pravious de; B PHILAI Strike Price 0,640 0,845 0,850 Previous de; B TERREE	Dec 1.33 0.37 7s vol. Cale Dec 0.34 To vol. Cale	25 CAL 34 CAL 35	PTIONS  LLS  IN  27  59  21  THE Prov.  BISS  18  Charge	E31,250 k Feb 2,38 2,38 1,37 day1 open FTIOMS D FEb 1,20 0,59 7W, day2 op High SIm p High SIM 94,48	Ose Dec O.55 Ose	Jan 0.93 1.34 1.88 258 Puts F Puts Puts Puts Puts Puts Puts Puts Puts	Feb 1,73 2,04 2,69 7,320 Feb 0,61 0,63 1,11 3,36,747 Open 1,388,24 400,45
Strike Price 1.640 1.650 1.650 1.650 1.650 Pravious dej E PHELAI Strike Price 0.640 0.845 0.850 Pravious dej E THEREE	Dec 1.33 0.37 Fs vol. Cale Dec 0.34 Fs vol. Cale BELPHIA 8 Fs vol. Cale Control E BELPHIA 9 84.45 94.38	21 1/2 0 22 1 1/2 22 1 1/2 22 22 22 22 22 22 22 22 22 22 22 22 2	PTIONS 11.5 12.7 13. Prev. 13. Prev. 13. State of the control of t	E31,250 k Feb 2,38 1,91 de/s open Feb 1,20 0,69 re, de/s or High 94,47 84,48 94,38	Out of 100 St. Calls St. C	PUTS — Jan 0.93 1.34 1.88 268 Puts E P	Feb 1,73 2,04 2,69 7,320 Feb 0,61 0,63 1,11 3,36,747 Open 1,388,24 400,45
Strike Price 1,840 1,850 1,850 1,850 Pravious day E PHELAI Strike Price 0,840 0,845 0,850 Pravious day E THEREE Dec Marr Jun	Dec 1.33 0.37 7s vol. Cale Dec 0.34 To vol. Cale	21 1/2 0 22 1 1/2 22 1 1/2 22 22 22 22 22 22 22 22 22 22 22 22 2	PTIONS 11.5 12.7 13. Prev. 13. Prev. 13. State of the control of t	E31,250 k Feb 2,38 1,91 de/s open Feb 1,20 0,69 re, de/s or High 94,47 84,48 94,38	Out of 100 St. Calls St. C	Jan 0.93 1.34 1.88 258 Puts F Puts Puts Puts Puts Puts Puts Puts Puts	Feb 1,73 2,04 2,69 7,320 Feb 0,61 0,63 1,11 3,36,747 Open 1,388,24 400,45
Strikes Price 1,840 1,860 1,860 1,860 Pravious day E 1948LAI Strikes Price 0,840 0,845 0,850 Previous day E TEREE	Dec 1.33 0.37 Fs vol. Cale Dec 0.34 Fs vol. Cale BELPHIA 8 Fs vol. Cale Control E BELPHIA 9 84.45 94.38	21/5 0 CAI 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2	PTIONS 11.5 12.7 13. Prev. 13. Prev. 13. State of the control of t	E31,250 k Feb 2,38 1,91 de/1 open Feb 1,20 0,59 re, de/2 op High 94,47 84,48 94,38 A4) Sim p 95,04	Out of 100%	PUTS — Jan 0.93 1.34 1.88 268 Puts E Der CM) PUTS — Jen 0.41 0.81 0.81 48,327 Put 43,458 66,282 87,184	Feb 1,71 2,04 2,69 7,320 Feb 0,61 0,85 1,11 9,86,747 Open 1,383,24 400,45 312,24
Strike Price 1,840 1,850 1,850 1,850 Pravious day E PHELAI Strike Price 0,840 0,845 0,850 Pravious day E THEREE Dec Marr Jun	Dec 1.33 0.37 Vs vol. Cale Dec 0.34 Dec 0.34 S vol. Cale BRONTH E BRONTH E 94.48 94.28 EASURY BE	2.5 CAI 34 2.5 Por 3 1.5 P	PTIONS 11.5 12.7 13. Prev. 13. Prev. 13. State of the control of t	E31,250 k Feb 2,38 1,91 4,91 PHOMS D 1,20 0,83 1,91 High 94,47 94,48 94,48 Sim p	Out of 100 Per Color of	PUTS — Jan 1.34 1.83 269 Puts Fi Der CM) PUTS — Jen 0.61 0.61 0.61 0.61 48.27 Put 43.456 66.282 87,134	Feb 1,71 2,04 2,69 7,320 Feb 0,61 1,11 3,56,747 Open 1,388,24 400,45 312,24

rice	; De	_	'Jen	Feb	Co.	C	Jan	Feb
.640	2.3	3	227	2.88	-		0.93	1.71
.860	. 0.3	GT .	1.69	2.38			1.34	2.04
.500			1.21	1.91	0.5	8	1.88	2.69
ravious d	Mys vol., Ca	<b>de 92</b> 6 P	45 TIB. F	TOV. CON'S	ppen krt.,	Comp 34	268 Puls 17	320
-	DELPHE	SE D	MARKE	OPTION	IS DM62	,500 (5	per OM)	
Strike			CALLS -				PUTS -	
Price	De	C	Jan	Feb	De	C	Jen	Feb
0.640	0.3	4	0.85	1.20			0.41	0.61
1.845			0.57	0.82	0,1	4	0.61	0.83
1.850	-		0.35	0.69	0.5	2	0.21	1.11
THE	E MONT	EURC	DOLLA	(MAN) S	m point	s of 100		
	Open	Lete		-		Low		Open Int.
Dec -	94,45	94,4	48 -0			84,46	43,458	333,249
Mar	94.48	94.4				94,45		
kan	94.38	94,	35	- 84	.38	94.34	87,134	312,241
ABC Iun	95,04 94,96	95.6 94.5 94.5	96 .			95.D4 94.96	459 237 8	4,811 2,318 25
			previous di	ry	inte of 1	00%		
U Open to	MARK O	777OF						
Open to EURO Strike	MARK O	P710#	CALLS .		Dec		PUTS -	Mar
Con to EURO	Dec Dec	Jan	CALLS -	Mar	Dec	Jæn	Feb	
Al Open to E EURO Strike Price 9675	Duc 0	Jan 0.15	CALLS Feb	Mar 0.19	Dec 0	Jan 0.02	Feb 0.04	0.06
All Open to E EURO Sorke Price 9675 9700	Duc 0 0	Jan 0.15 0.02	Feb 5,17 0.04	Mar 0.19 0.06	Dec	Jæn	5.54 0.16	
NI Open III E EURO Strike Price 9675 97705	Duc 0	Jan 0.15 0.02 0	CALLS - Feb 0,17 0.04 0.01	Mar 0.19 0.06 0.01	Dec 0 0.25 0.50	Jan 0.02 0.14 0.37 Cale 5	Feb 0.04 0.16 0.38 22464 Puts £ 100%	0.06 0.16 0.38
All Open is E EURO Strice Price 9675 9770 97725 Est. vol. to E EURO	Duc Ø O O O SWISS F	Jan 0.15 0.02 0 137 Puts	CALLS - Feb 0,17 0,04 0,01 2580 Per OPTION CALLS -	Mar 0.19 0.06 0.01 Mous day's 5 (1.472)	Dec 0 0.25 0.50 0.50 open ins	0.02 0.14 0.37 Cale 3	Feb 0.04 0.16 0.38 22464 Puts £ 100%	0.06 0.16 0.38 355304
Sales Price 9675 9700 9725	Duc 0 0 0 0 0 0 0 0 0 0 0 0 0	Jan 0.15 0.02 0 87 Puts	GALLS Feb 0,17 0,04 0,01 2580 Pro OPTIONS CALLS	Mar 0.19 0.06 0.01 Mous day's 9 (LIFFE)	Dec 0 0.25 0.50 open ins SFr 1m (	Jan 0.02 0.14 0.37 Cale 5 points 0	0.04 0.16 0.38 23464 Puts £ 100% PUTS —	0.06 0.16 0.38 335304
All Open is EURO Strike Price 9675 9725 Est. vol. to EURO Strike Price	Duc 0 0 0 0, Cols 24 59/183 F	Jan 0.15 0.02 0 FLANC	CALLS - Feb 0,17 0.04 0.01 2580. Pro OPTION CALLS - Mar 0,30	0.19 0.06 0.01 Mous day's 9 (LIFFE): Jun 0.38	Dec 0 0.25 0.50 open in: SFr 1m (	Jan 0.02 0.14 0.37 Cale 3 points 0	Feb 0.04 0.16 0.38 92464 PAR f 100% PUTS — Mar 0.13	0.06 0.16 0.38 355304
AL Open to EURO Strike Price 9675 9770 97725 Est. vol. to Strike Price 9600	Duc 0 0 0 0 0 0 0 0 0 0 0 0 0	Jan 0.15 0.02 0 0 837 Puts	CALLS Feb 0.17 0.04 0.01 2580 Pro OPTION CALLS 0.30 0.16	Mar 0.19 0.06 0.01 Mous day's \$ (LIFFE) : Jun 0.38 0.24	Dec 0 0.25 0.50 incpen inc SFr 1m (	Jan 0.02 0.14 0.37 Cale 3 points 0	Feb 0.04 0.16 0.38 92464 Put f 100% PUTS Mer 0.13 0.30	0.06 0.16 0.38 355304



**BPI Capital Finance Ltd.** (incorporated with limited liability under the laws of the Cayman Islands)

6.000.000 U.S.\$ Series A Floating Rate Non-cumulative Guaranteed **Non-voting Preference Shares** 

**BPI-SGPS, S.A.** 

(incorporated with limited liability under the laws of Portugal)

guaranteed by

Copies of the listing particulars may be obtained (for collection only) during normal husiness hours until 19th December 1996 from the Company Announcements Office, the London Stock Exchange, Old Broad Street, London EC2N 1HP and until 2nd January 1997 (Saturdays and public holidays excepted) Morgan Guaranty Trust Company of New York, 60 Victoria Embankment, London EC4Y 0JP.

Merrill Lynch International Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY as Listing Sponsor

CHEVY CHASE MASTER CREDIT CARD TRUST II U.S.\$138,000,000 Class A Floating Rate Asset Backed Certificates, Series 1995-B

U.S.\$12,000,000 Class B Floating Rate Asset Backed Certificates, Series 1995-B Interest Account Rate Compon Amount (USD)

U.S.\$673,379.05 U.S.\$59,754.70 5.855470% 5.975470% 12/12/96 These Interest Accusal Rates and Cosposi Amounts the Interest psychile on Wednesday, January 15, 1997.

Bankers Trust Company December 17, 1996



European Investment Bank PTE 50,000,000,000

tion 1998

For the three marshs 16th December, 1996
to 17th March, 1997, the Bands will
estay an interest pate of 6.44% per summe
with an interest amount of PTH 1.606 per
PTE 10.000 Bond, PTE 16.056 per
PTE 10.000.000 Bond and PTE 202.795
per PTE 50.000.000 Bond, psysble on
17th March, 1997.

Liand as the Language Suck Rathange
Union Bunk of Switzerstand
London Bunk of Switzerstand

Securities No.3 PLC £150,000,000 Class A2 Notes Mortgage Backed Floating Rate Notes due 2025 roment date 27th Downber 1996 The pracipal amount outstand 28th December 1996 will the br 136,056 per Note.

Bankers Trust Company, London

Residential Property

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The Chase Manhattan Corporation

U.S. \$400,000,000

Floating Rate Subordinated Notes due 2009

for the three months 16th December, 1996 to 17th March, 1997 the Notes will earry an interest rate of 5.6875% per annum with a coupon amount of U.S. \$143.77 per U.S. \$10,000 Note,

> City of Stockholm US\$325,000,000 Floating rate notes 1999 Notice is hereby given that the notes will bear interest at 5.48828% per annum from 17 December 1996 to 17 March 1997. Interest payable on 17 March 1997 will amount to US\$13.72 per US\$1,000 note, US\$137.21 per US\$10,000 note and US\$1,372.07 per Agent: Morgan Guaranty Trust Company **JPMorgan**

Agent Bank

# Coffee recovers from earlier setback

MARKETS REPORT

By Alison Maittand, Philip Coggan and Peter John

Coffee futures prices largely recovered from falls in New York and London which followed news of an increase in upward revision in the US Department of Agriculture's world crop forecast.

The March arabica con-109.70 cents a pound, down 1.50 cents, while in London bags, up 1.8m from its June robusta futures for March prediction.

Data on housing

lift lumber market

delivery ended \$3 lower at \$1,275 a tonne after dropping

Liffe said certified coffee stocks available for delivery rose to 2,104 five-tonne lots in November from 1.410 lots in October.

Ms Judy Ganes, analyst Juna. Liffe coffee stocks and an with Merrill Lynch in New York, said the jump in supplies had put the market

The USDA half-yearly foretract in New York closed at cast put global production for 1996-97 at 100.9m 60kg

casts for Indonesia and Vietnam, two important robusta producers. Indonesia was put at 7.5m bags, up from 6.5m in June, while Vietnam's crop was estimated at 4.3m bags against 3.5m in

May delivery eased \$1.60 a tonne to \$301.50 in thin Liffe

White sugar futures for

ED&F Man, the London broker, says in a report published today that augar prices will continue to be dragged down as European ally weaker, as traders dealt central bank and producer

used to set up exploration

companies, and the main tar-

get is diamonds. India's dia-

mond cutting and polishing

industry - with 6m directly

employed - imports about

70m carats of rough (uncut)

stones a year while domestic

diamond mining produces

only 26,000 carats. The coun-

try was once the world's sole

controller of mines, Indian

country produces two tonnes

of gold but consumes an esti-

mated 250 tonnes. He said

diamond producer.

new year. Other downward month's "third Wednesday pressures on the market will pricing" in two days' time. be larger raw snear exports. Tin slipped to a nine-month from Thailand and cheaper low and copper fell to the Cuban supplies.

But it says the downside crop is still far from certain. profits and squaring thair and because white sugar producers in eastern Europe metals analyst at Brandeis. may stop exporting followbuying could also be bullish

It revised upwards its fore. Union supplies arrive in the in the cash market for the selling and, as time goes on, \$2,100 support level.

"We have had fairly strong may be limited because the rises in the last few months final size of the new Cuban and traders are taking books," said Mr Robin Bhar.

Gold edged lower in ing the drop in prices. Iraqi listless trading. Mr Ted Arnold of Merrill Lynch said gold was "basically suffering Metals prices were gener- from over-supply, from inventories and recent cold

the price is eroding away". Oil prices eased yesterday as the market steadied itself for the impact of the first Iraqi supplies for six years.

Brent crude for January delivery was trading at \$24,075 in late afternoon on London's Intarnational

Petroleum Exchange. However, prices have recovered from last week's initial nervousness and traders said the impact of Iraqi exports was offset by low

# Indian mining pulls in \$500m

By Laurie Morse in Chicago

The North American lumber market was lifted yesterday by expectations that US housing starts increased

slightly in November. The US government will release the data on newhome construction and applications for building permits today.

Traders expect the report to show a rise to 1.39m units on an annualised basis in November, up from the even as home sales 1.37m units the government forecast in October. Applications for building permits, a leading indicator of future construction, are expected to increase to 1.37m units, from 1.36m in October.

Lumber prices are highly sensitive to bond prices, since mortgage rates change in tandem with the Treasury market. A dip in mortage rates this autumn belped send lumber futures prices at the Chicago Mercantile Exchange to life-of-contract to just-in-tima inventory highs a month ago. However, management. "Historically prices have since retracted at this time of year, retailers

sharply as bond yields rose. At midday yesterday, lumber futures for January spring building season," he delivery at the CME were \$5 said. "They are not doing higher than Friday's close, at \$385.50 per thousand

high in the contract was

"We're expecting to see a modest rebound in naw home starts," said Mr David Berson, chief economist with Fannie Mae, the national mortgage insurance agency.

"Housing starts have dropped faster than home sales in the last six months."

He said higher mortgage rates this summer may have discouraged bome builders, approached record levels in the US. Now, it may be a case of builders catching up,

Mr Neal Schmaedick, lumber analyst for Smith Barney, said seasonal factors have dented demand for lumber, contributing to futures market declines in the last month, Cold weather has limited new construction in some parts of the US.

Furthermore, he said many retailers have moved would be building inventories in anticipation of the that this year, and we've seen a lull in demand."

By Kenneth Gooding, Mining Correspondent hoard feat. The November The message that India is



India was once the world's sole producer of diamonds but now imports about 70m carais

India provided for only 30 per cant of its copper requirements, it mined no nickel and that by 2000 there would be room for another 120,000 tonnes of annual primary aluminium production. There are opportunities for Mr M. Mukherjee, chief foreign participation in

bauxite, iron ore, copper, Bureau of Mines, said at a chromite, diamonds, gold seminar in London that the and potash," be said. He was speaking at an Indian government seminar

the country's mineral poten- ically mapped, "it is one of tial among overseas investors. It was sponsored by NatWest Markets, Arthur Andersen and Ashurst Morris Crisp, and organised by Mining Journal Research Services.

Mr Sen said India needed twice as much exploration as ore, bauxita and copper that planned by 2002. mines that needed capital Although India had a rich and there were opportunities mining heritage dating back 6,000 years and 93 per cent of facturers because so much beld to raise awareness of the country had been geolog- plant needed replacing.

the least explored areas on earth. More advanced geochemical, aero-magnetic and geophysical techniques have not yet been put to any significant extensive use."

The dalegates were also told there were several iron for mining equipment manuCOMMODITIES NEWS DIGEST

# SIB set to release report on LME

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The Securities and Investments Board, the UK's leading financial watchdog, yesterday said it would release its report on regulating the London Metal Exchange on Thursday. The LME invited the SIB to conduct the review after the Sumitomo Corp copper troubles bit commodities markets. The Japanese trading house lost \$2.6bn and has since fired Mr Yasuo Hamanaka, its chief copper trader, accusing him of running up the losses in unauthorised

The report will be in two sections, one covering recommendations for reform, the other a review of all the submissions it received. The SIB has said that it thinks commodities markets are highly susceptible to manipulation. When the SIB asked for responses to its . discussion paper, the most frequently highlighted areas of concern were the composition of the LME board and whether this created conflicts of interest. The LME board is dominated by broker members and it has been suggested that reform should include the appointment of more independent directors.

It is also likely that the SIB will highlight changes to the reporting of large holdings in the market. The LME dominates world metals trading with 95 per cent of the world's copper futures and 100 per cent in most other

### New Chile smelters likely

Chila's booming copper industry will produce enough copper concentrates in the coming years to supply two new smelters which are currently under study, said trade group National Mining Society (Sonami). "It's probable: that there is justification for two smelters," said Mr. Hernan Hochschild, Sonami president.

Sonami started work two months ago on a study for South Korean industrial giant Hyundai on the feasibility of building a smelter which would process 400,000 tonnes of copper concentrates a year. The report has been delayed and should be ready in March, three months later than originally expected," Mr Hochschild said.

Last week Endesa, the Chilean electricity giant, said it had struck a deal with Finland's Outokumpu to study the construction of an \$800m smelter to process 1m tonnes of copper concentrates.

### Setback for Venezuela cocoa

Venezuela's production of fine aromatic cocoa is expected to drop by as much as 30 per cent to around 11,500 tonnes due to unseasonable weather and heavy rams, Venezuelan exporters said. Torrential rains over the past month had "really hurt the production of carinero superior cocoa," said Mr John Kehoe of Venezuela Commercial Cacao. "Although the Rio Caribe cocoa in eastern Venezuela has been less hurt, it's going to be a hard year, especially as a number of merchants are short," he added.

Venezuela produces some 16,500 tonnes of cocoa each year, about 0.5 per cent of the world market, but nearly 20 per cent of the world's flavour crop.

# COMMODITIES PRICES

BASE METALS **LONDON METAL EXCHANGE** (Prices from Amalgamated Metal Trading) E ALUMINIUM, 99.7 PURITY (5 per tonne)

1481.5-82.5 1513-13.5

CAUDO	1401-05-3	1919-199
Previous	1499-1500	1529-30
High/low	1478/1476	1517/1507
AM Official	1475-76	1508-09
Kert close	1410-70	1516-17
Open Int.	255,372	19 (0-14
Total daily turnover	113,611	
M ALUMINIUM AL	LOY (S per to	rene)_
Close	1325-30	1355-60
Previous	1335-40	1365-8
High/low	1325	1358/1355
AM Official	1324-25	1357-58
Kerb close		1357-60
Open Int.	6.399	1001-00
	2,480	
Total daily turnover		
E LEAD (\$ per ton	me)	
Close	682-3	688-9
Previous	707.5-B.0	699-700
High/low	691/690	095/687
AM Official	685-6	669-90
Kerb close		687-8
Open Int.	39,262	
Total daily turnover	13.985	
M NECKEL (S per t		
Chase	6455-65	0500-65
Previous	6545-55	6645-8
High/low	6522/6520	6650/6515
AM Officiel	6520-22	8635-40
Korb close		6510-15
Open Int.	48.495	44.0
Total daily turnover	16.770	
III TEN (5 per tonne		
Close	5675-85	5715-25
Previous	5780-85	5800-5
High/low		6770/5680
AM Official	5715-20	5759- <del>0</del> 0
Kerb close		5885-90
Open Int.	17.032	
Total daily turnover	4.925	
E ZINC, special hi	ah arada & n	er tornel
Close	1025-26	1049-50
Previous	1031-2	1055-5.5
High/low	1028	1053/1045
AM Official	1027.5-28.5	1051.5-52
Kerto close		1045-47
Open int.	<b>52,833</b>	
Total daily turnover	36,219	

III LIME AM Official 2/\$ rate: 1,8595 LIME Closing £/5 rate: 1,8630 ME HIGH GRADE COPPER (COMEX)

III COPPER, grade A (\$ per tonne)

Kerb close

2165-70 2237-42

100.05 -2.45 102.00 99.50 1,017 4,445 98.65 -2.90 101.00 98.00 158 6,302 97.65 -3.00 98.90 97.30 56 1,425 96.65 -2.65 99.50 96.20 3,710 24,002 95.25 -2.45 97.50 95.30 22 940 95.25 -2.45 97.50 95.30 22 940 94.00 -2.20 96.50 83.60 145 4,709 5,473 58,671

PRECIOUS METALS

Gold(Troy oz)	\$ price	viupe 3	SFr equiv
Close	368.70-369.00		
Opening	368.20-368.60		
Morning fix	368.60	222.02	489.26
Afternoon fix	368.25	221.81	488.37
Day's High	368.60-368.90		
Day's Low	367.45-367.75		
Previous close	369.00-369.40		
Loço Ldn Mei	an Gold Lend	ing Rate	(Vs USS)
1 month	3.24 6 r	nonths	3.50
2 morths	3.25 12	months	3.60

481.00 3 months 6 months 298.30 492.80 504.90 Gold Coing 62-64

	OCD CO			S CO			
	Sett	Day		.,	- unit	Open	
		(Spare	_		Yes		
Dec	368.4 368.9			<b>8 367.</b> 7	54	706	
Feb	368.9					91,740	
Apr	372.1					21,817	
Any Total	376.6	-0.	3 .		405	5,398 181,755	
	LATINUI	4 NYN	IEX (SI	Troy o			
Jan	370.1		_			15,743	
Apr	3720	-0.0	372	8 371.0	2,269	11,993	
Joi	374.7 377.4					2,013	
Tobal						31,931	
	ALLADR		MEX (I	00 Troy			
Dec	117.75 118.75		120.2	5 119.25	165	7,25A	
'Jen	121.05				2	385	-
Sep	122.00		: :	: :	_	5 17	1
7atal					167	7,683	
	LVER C	_	_	_			
Jan	478.2 478.6	-1.3 -1.5				129	1
Feb	451.0	-1.5		-	-	2	!
May	483.5 487.9	-1.5 -1.5			5,596 36	55,970 9,434	i
Jul Total	492.2			491.5		8,351	
					-4		1
	Latest	Day's chang		Low	Vol	Open	
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Her	24.40	+0.90				30,090 19,828	
Apr May	23.30	+0.74	23 30	22.73	2.218	16,415	
jun Total	22.70	+0.59	22.70	22.11		28,422 378,924	1
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Feb	23.80	+0.90	23.80	22.95	16,900	<b>55,220</b>	2
APE APE	23.18 22.45	+0.86	22,45	21.69	1,202	32,006 14,753	
May Jan	21.85 21.30	+0.62		21.80	222	10,128	
Total	21.30	+0.30	21.30	21.00	-51	1,002	7
S HE	ATING (	_		000 US 9	e, all	_	Ť
	Latest	Dey's change	High	Low	Vol	Gpen.	
Jan	75.25	+3.54	_	71.27	21,434		
Feb Mar	73,70	+3.31	73.80	70.50		29,971	j
Apr	65.60	+221	65.80	63.80	3,163 580	7,860	
May Jun	61,60	+1.26			962 492	4,463 5,587	T
Total	CLUD	+1,01		4440		2,300 88,972	0
M GA	S OF P	E (S/Aon	ne)				J
	Sett	Day's				Open	F
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Feb Mar		-14.00	215.75	210.25 202.75	4,175		G Tr

198.50 +11.00 198.75 194.75 452 5.824 187.75 +9.50 187.50 184.50 154 7.482 M NATURAL GAS MYMEX (10,000 mineral; Symmetra) 4.420 +0.569 4.440 4.050 23,633 34,000 3.830 +0.415 3.850 3.550 8.661 28.661 3.633 34,000 3.134 +0.130 3.134 3.100 2.913 18,313 2.705 +0.135 2.450 2.500 1,111 9.339 2.435 +0.125 2.450 2.330 607 6.913 2.310 +0.100 2.330 2.235 656 5.647 MYMEX (42,000 US gats.; c/US gats.) 69.00 +1.96 69.05 67.00 11.880 20.032 68.16 +1.78 66.20 66.30 5,342 18,524 68.05 +1.75 68.05 66.85 2,150 9,677 09.50 +1.55 09.50 63.45 738 4.475 68.45 +1.05 68.55 67.00 554 3,986 66.90 +0.65 66.90 66.70 140 2,586

23. W

Precious Metals continued GRAINS AND OIL SEEDS WHEAT LIFFE (2 per turne)

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ec	413.75		_	403.00			
	396.00	+7.00	396.50	388.75	8,226		- 1
aty of oc	368.75	+4.75	369.00	363.50	829	5,255	
pl	348.00	+4.00	345.00	342.50	2,841		
-	359.50	+5.50	359.50	348.00	3 24		
otal					13,003	57,031	
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44	253.50	+0.75	254.00	261.75	23,960	147.451	1
-7	265.75	+1.00	256.25	263,75	4,531	52,835	
	262.25	+0.75	262.25	261.25	217	5.782	
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n	23.32	-0.03	23,49	23.22	5,887	1,747 29,395 27,954 13,299	
	24.57	+0.01	24.15	23.57	1,674	27,954	-
ľ	24.32	+0.04	24.35	24.15	896	9,558	•
4	24.32	+0.03	24,42	24.27	10	1,844	
	VADEAN		~	~~	15,163	67,173	
			- 00:	,,,,,		~ .	
	242.2 231.3	+4.5	242.1 231.5	237.9 226.8	1,154	5,635 23,973 24,357 14,995 10,708	3
	224.1	+3.5	224.2	221.1	3,986	24,357	
7	219.3	+3.0	218.3	217.0	2,241	14,995	
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	1492	-6	1505	1485	17	651	:

1505 1485 1225 1213

There was good demand reports the Tes Brokers' Association. Landed better liquor-ing Assams sold well and often appreci-ated while others ware about steady. Brightest East Africans attranced but mediums showed an easier tendency. Off-shore there was good competition at fully tim rates. Quotations: Landed best avail-table. 2007(m. Geod. 1310(m). Geod. able 202p/kg. Good 130p/kg. Good nedam 128p/kg. Medam 114p/kg. Low medium ng. The highest price realised this week was 202p/kg for a Rwanda.

SOFTS M COCOA LIFTE (E/kanne)

	Sutt C	Day's		Low	-	Open M
_	860		866	866	_	
Dec Mar	913	-7	920			49,560
-	933	-6	940			17,084
May Jul	851	-3	957	948		12,258
	955	-3	973	968		8,283
Dec .	979	-1	986	978		8,515
Total	27.	-,	200	-10		119,945
		- w-				110,000
- 000	XOA CS	æ (10	DOM: NO	r with	THE P	_
Mar.	1362	-5	1373	1358	6.021	39,223
May	1386	-7	1396			11,989
<b>M</b>	1410	-3		1408		7,337
	1429	-7	1435	1431	24	6,709
Dec	1449	-7	1458	1448		1,396
iller	1462	-14		-		4,582
(atal	1100		_			75.770
	OA (CC	M (E)	WI- 8-		,,,,,,,	70410
	<u> </u>	~1 Far				
Dec 13			M			er. der
My _			. 1020.2	24	1	033,74
COF	FEE UP	E GA	(SERVE)			
	1325	-	1332	1310	2.293	13,659
Her .	1275	-3				20,737
						8,472
tu tur tur	1325	-	1332 1281 1248	1258	2,190	20,7

124.50 -4.90 129.23 124.00 245 427 109.35 -1.25 112.50 108.50 5,990 15,697 107.40 -0.90 108.70 108.20 2,084 8,443 105.75 -1.25 108.20 104.70 743 1,858 103.75 -1.25 105.75 103.00 419 1,477 101.55 -1.10 104.00 101.00

# SUGAR "11" CSCE (112,000ths; cents/the) EASO 58,037 M ORANGE JUICE NYCE (15,000bs, conts/fbs) 91,40 -1.00 83,20 91,25 1,143 10,019 94,85 -1.05 98,80 94,75 1,415 11,166 3,120 730 269 78 104.00 -0.80 104.50 104.50

FUTURES DATA All intures data supplied by CMS.

INDICES

-4 1238 1227 152 1,799 -1 1232 1225 130 984

COFFEE (ICO) (US cents/pound) Dec 13 WHITE SUGAR LIFFE SADNIE

301.4 -2.0 303.3 301.2 1,277 15,350 300.9 -2.2 302.7 301.0 94 5,460 302.2 -2.2 302.0 302.0 6 2,517 300.1 -0.8 - - - 1,732 10.56 -0.17 10.56 10.5330,806 75,090 10.54 -0.15 10.59 10.62 3.546 30,592 10.53 -0.11 10.66 10.63 1,672 22,212 10.59 -0.11 10.70 10.57 163 12,727 37,971 149,512 75.55 -0.25 76.17 75.70 3,802 25,846 76,82 -0.25 77.09 78.70 1,083 10,831 77.85 -0.22 77.87 77.80 459 7,851 77.12 -0.13 77.25 77.15 8 1,236

VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CASE, CSCE and SPE Crude OR are one day in arrears. Volume & Open Interest totals are for all traded months.

F Rectors (Base: 18/9/31 -- 100) CRB Futures (Bese: 1967 = 100) Dec 13 Dec 12 month ago year ago 243.78 241.75 III GSCI Spot (Bess: 1970 = 100)

Dec 18 Dec 12 month ago year ago 217.76 212.20 234.07 194.77

MEAT AND LIVESTOCK III LIVE CATTLE CME (40,000 be; perte/be)

٠.	Sett.	Dake	7 Hole	100	100		4
lec.				86,525		_	- 1
-				63,500			- 1
				64,750			- 1
				62,500			- 1
-				82,350			- 1
ct				64,850			- 1
				•	11,322	MA, SEE	J
LE	AN HO	S CM	E (40,00	XXIIve; C	ents/R	<b>(25)</b>	1
96	60,000	+1.1	80.060	58,775	1,895	4,858	ı
•				76,675			- 1
pr .	71,725	-0.05	72,300	71.575	688	5,492	- 1
	74,500	+0.125	75,000	74.500	882	4,897	1
	71.825	-	71.900	71.900	145	1,414	- 1
obsi.	68.200	-	68.200	67.900		916 32,890	1
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nio (da	77.700	-0.525	76.950	77.300	1,952	4,521	- 1
	76.900	-0.5	78.300	76.800	176	887	ı
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4	77.875						ι
4	73.375	-0.425	74.000	73.350	5	102	ı

LONDON TRADED OPTIONS

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E ALUMINIUM					
(89.7%) LME		Apr		Apr.	
1475	33	83	9	31	
1500	18	68	19	41	
1525	8	55	35	53	
COPPER .					
(Grade A) UME	Jen	Apr	Jan	Apr	
2050	95	118	14	118	
2100	61	95	30	145	
2150	35	76	54	175	
COFFEE LIFFE	Jan:	Mar	Jan.	Mar	
1250	79	70	1	45	
1300	34	46	8	71	
1350	8	29	30	104	
E COCCOA LIFFE	Mar	May	Mer	May	
860	68	90	5	. 7	
875	48	71	10	13	
900	32	54	19	21	
BRENT CRUDE					
PE	Feb	Mar	Feb	Мег	
2300	68	-	67	-	
2350	68	-	100	-	
2400		-	•		
LONDON SP	OT	MA	RKE	TS	
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Brent Blend (Feb) .		74-37			
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M OIL PRODUCTS IN				(COLLEGE)	
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Gold (per troy oziệ Siver (per troy oziệ Platham (per troy oz.) \$387.75 \$117.75 Copper Leed (US prod.) 108.0c 45.00c -20 Tin (Kusia Lumpur) Tin (New York) 14.51r 269,50 Cattle (live weight) Sheep (live weight) Figs (live weight) 109.90p 132.94p 80.150 Lon, day sugar (raw) Lon, day sugar (wte) \$284,40 Barley (Eng. feed) Maize (US No3 Yellow) 127.0 Wheat (US Dark North) Rubber (Jen) P Rubber (Feb) P Rubber (KL RSS No1) 319.0x

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London Prysical. § CSF Rollection.
Champe on wook. (Beset on 945):
Interest of January. JOTTER PAD

The % of the World's fresh water found in The game of Skill, Judgement and Nerve Antarctica (Spread 5%) Yesterday's enswer: Telephone 07000 782080 231 inches

### **CROSSWORD**



 Drunken reveller can hail e cab travelling north (12) 10 Unnecessary, pointless, one-eyed joiners? (7) Care: oil damages heat unit 12 Frighten 6 trainee member 13 Skilled performer needing

objets d'art rings round (8) 15 Using raw egg as fresh fruit 16 invites for a weekend on board (4) 18 Some teas you'll supply with a piece of cake (4)
20 A clever tin designed for 14 A monarch is refusing

Do icing sugar shapes

support, one end fixed (10) liquor (10)
22 Wild eagle, once overhead, 17 Red, black and green with lacks grace (8)

24 Hands back coin found in

fashionable glass top (8)

19 Guided horse about to be impounded (7) 26 School period in one of several stations (7)

21 Type no vicar is admitting standing for (7) 27 Feeling round cogwheel (7) 23 A spinster could be wrong

2 A number agree to differ being mean (7)

3 US state with a source

4 When student's in love too

5 Cite charts prepared for

6 Home hired by mouth of

7 Apprehensive enginaers

8 Foul chaps having back

street affairs (13)

over in the Rising Sun (7)

pink powder (8)

planners (10)

creek (5)

25 A party, if not way out! (4) Solution to Saturday's prize puzzle on Saturday December Solution to yesterday's prize puzzle on Monday December

report on 14

Trans.

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Martin Land Company

FT MANAGED FUNDS SERVICE

Offshore Funds

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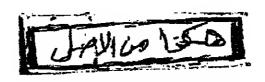
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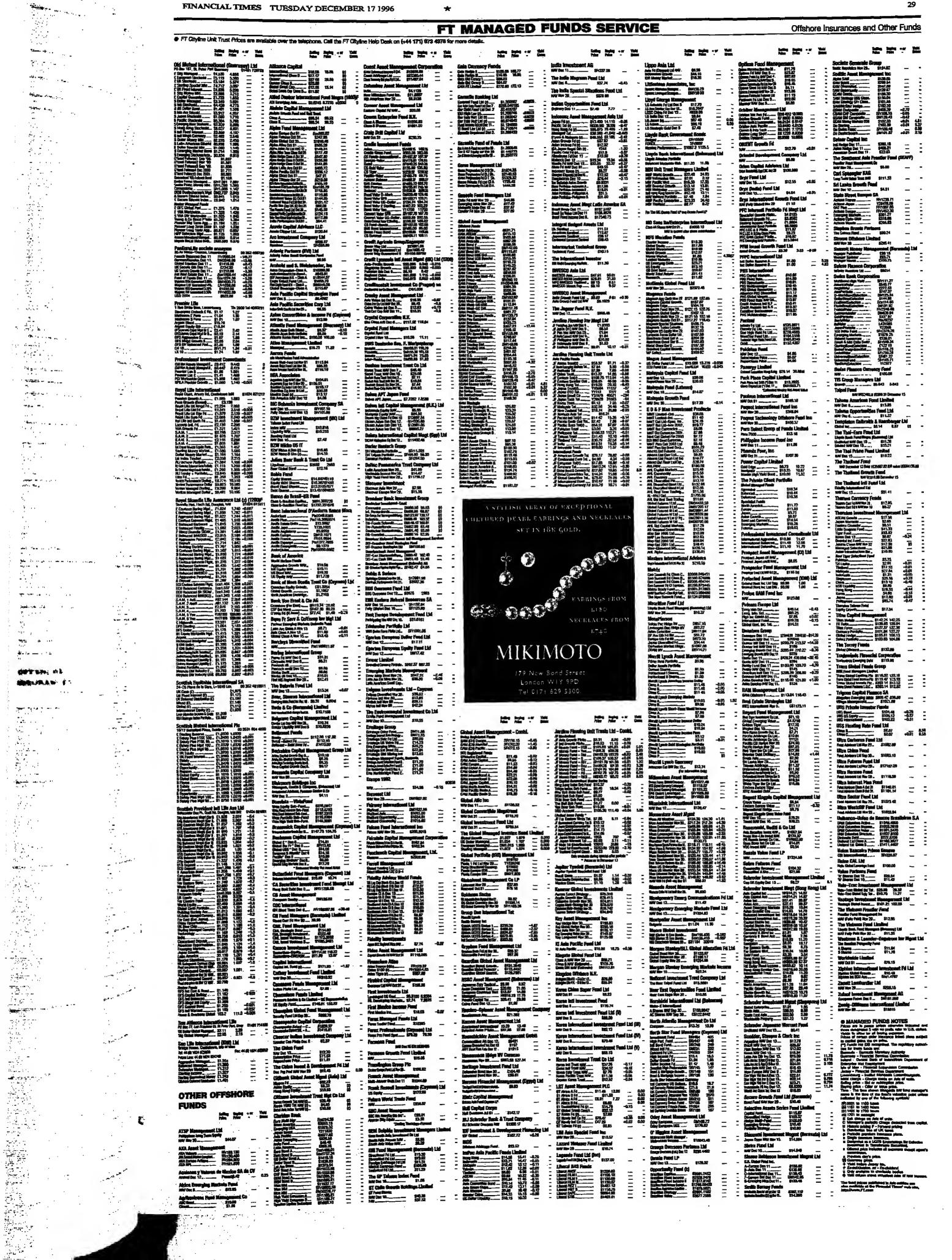
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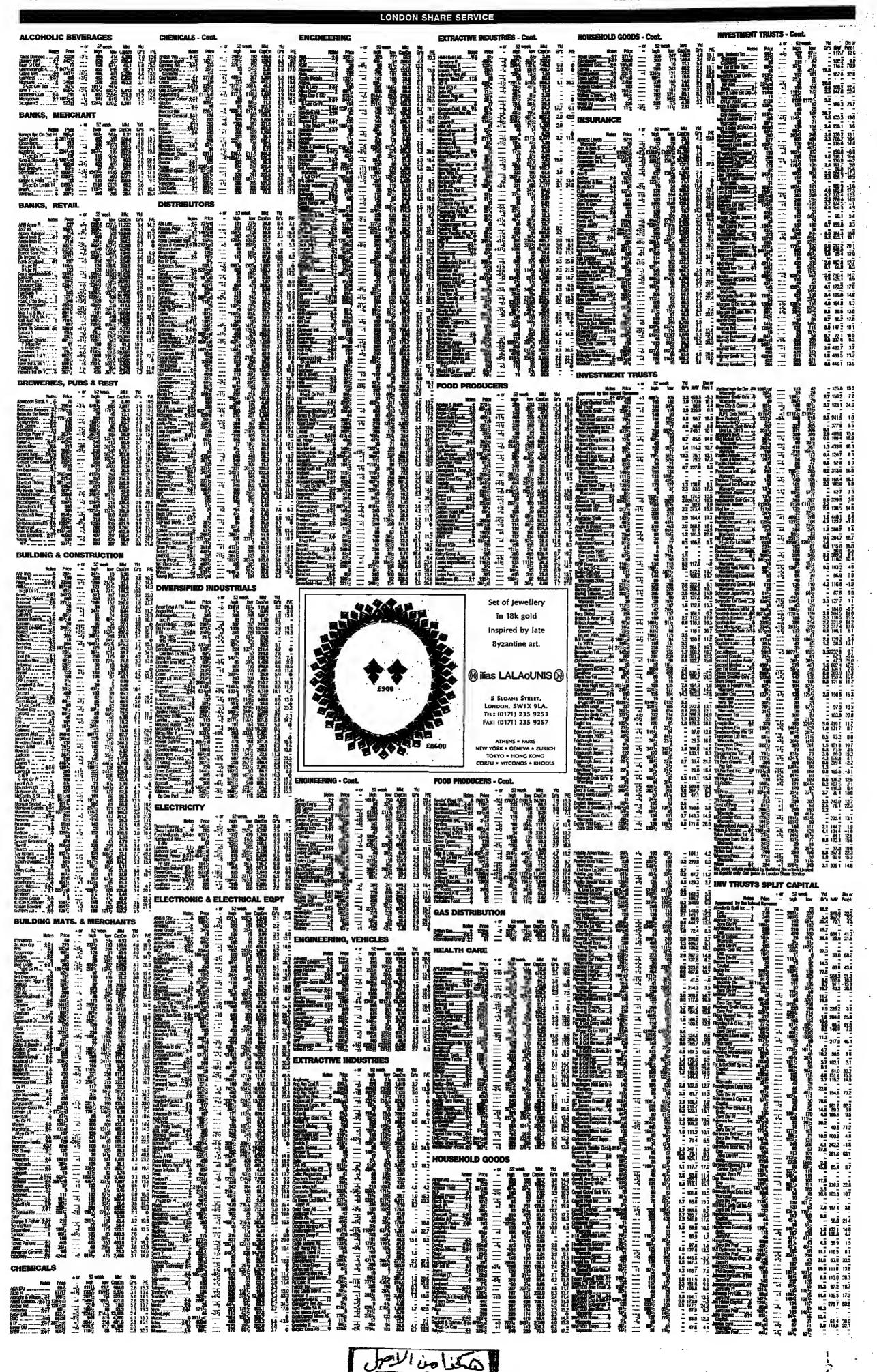
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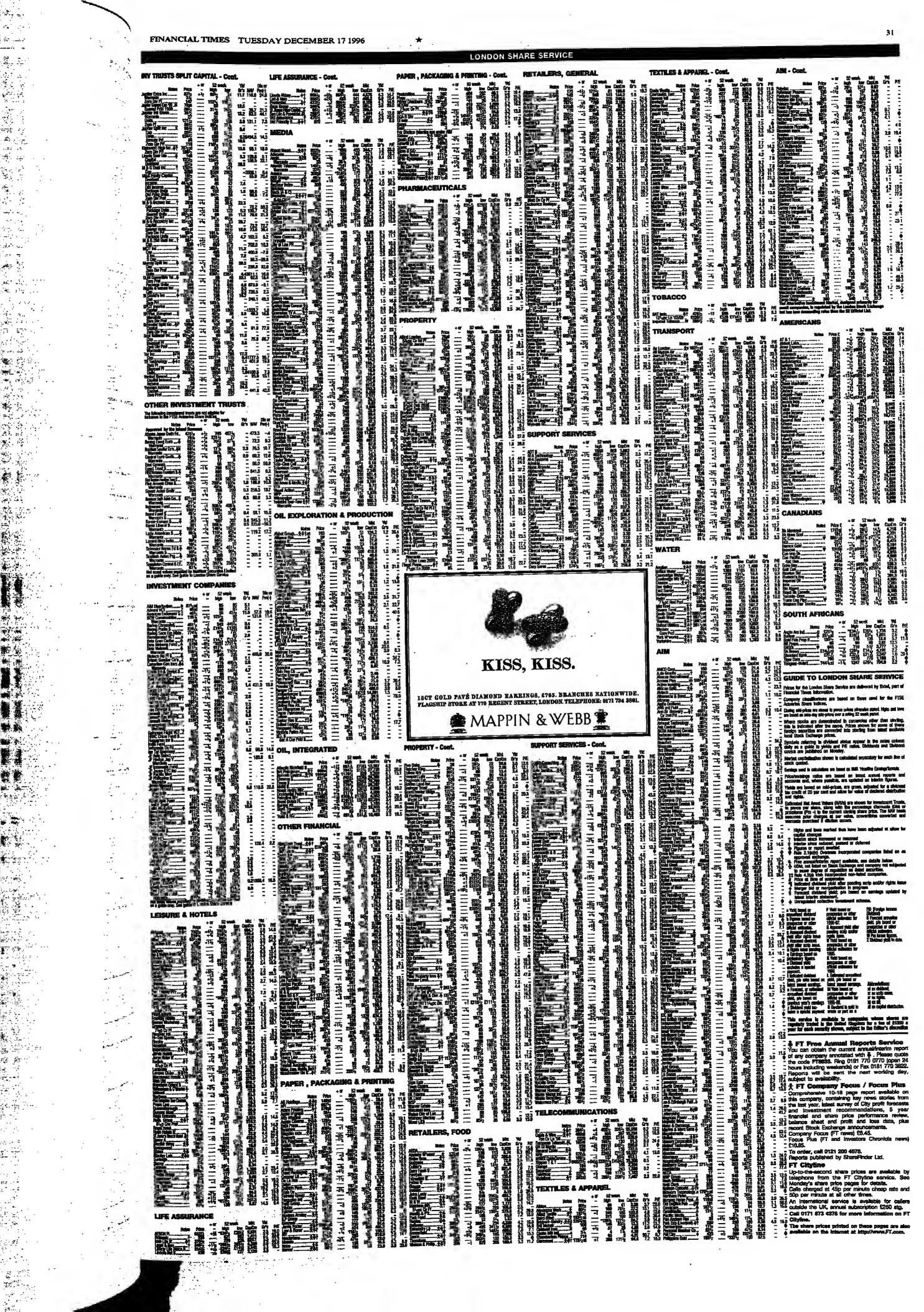
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### LONDON STOCK EXCHANGE

# Footsie closes just short of the 4,000 level

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

The appearance of a couple of domestic takeover bids, a good early showing by global bonds and a reassuring performance by Wall Street saw London equities regain some of the composure mons, which traders worried lost over the past couple of

The FTSE 100 index, baving launched an ultimately unsuccessful attempt to clamber back over 4,000, nevertheless ended the session 21.4 points higher at

3.993.8, the best of the day.

And the much healthier cli-

mate in the leaders quickly the growing feeling that further the US, which was seen as ing its recommended weighting spread to the rest of the market, where the FTSE 250 index settled 12.9 ahead at 4.371.2 and the

FTSE SmallCap 3.6 at 2.132.0. There was an element of unease in gilts which came under pressure late in the session. ahead of last night's fisheries policy vote in the House of Com-

Gilts were additionally unsettled hy economic news from the US, notably a stronger-than-expected industrial production figure for November.

could be close.

Overall, dealers said they had

takeover action in London might not be too far away.

Although much of the early talk in London was about the multi-billion dollar merger between Boeing and McDonnell Douglas, there was no shortage of UK bid speculation.

News of the merger of Lloyd Thompson and JIB, two of the second-tier insurance brokers, was immediately followed by a hurst of intense activity in Willis Corroon and Sedgwick, the UK's two higgest.

The latter two stocks were hammered last week in the wake heen surprised by the UK mar- of the merger of Aon Corporation ket's resilience, but pointed to and Alexander and Alexander of

removing two potential predators. But the feeling is that more moves could be imminent in the portfolio. UK insurance sector, Commercial Union and Guardian Royal Exchange were both hid aggres-

Marketmakers said they expected the hig institutions to try to keep Footsie within sight of 4,000 for year end. One said: "4,000 is seen as pretty much good news for everybody; but I wouldn't ignore the possibility of more big moves before they bring the curtain down on 1996."

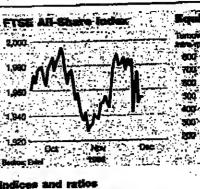
sively higher late in the day.

Lehman Brothers, the US broker, has adopted a more bullish stance towards UK equities, mov-

from neutral to overweight within a pan-European equity

Strategists at Lehman said: "UK equities look cheaply valued relative to gilts and this stands in marked contrast to the position elsewhere in Europe where the bulk of equity markets look expensive compared with bonds." Lehman expects a 12-month total return of 21 per cent from the UK, expressed in dollars, compared with 9 per cent for Europe ex-UK; this translates into a yearend Footsie target of 4,600.

Volume at 6pm was 649.1m shares. Friday's customer busi-





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### Shell loses ground

Shell Transport slipped 31/2 to 982p as analysts came away from a high-profile. two-day presentation in London and New York with

mixed feelings. On the bull side, Mr Fergus MacLeod of NatWest between Boeing and McDon-Securities said: "We are more convinced than ever before that the market is underestimating the scale of change under way in Shell and its implications for earn-

ings and dividend growth." Nevertheless, Mr MacLeod favours the Royal Dutch arm hecause of the impact of sterling's recent strength on Shell Transport's earnings.

Meanwhile, Mr John the consortium. Toalster of SGST said that while the management gave a "forceful and wide-ranging presentation", the signals about future change were "evolutionary rather than revolutionary.

News of a merger among two insurance brokers revitalised the prospect of consolidation among the sector Lloyd Thompson and JIB

agreedmerger terms in a deal expected to produce big cost savings.

210p five years ago, rose 21 Holiday Inns and 14 hotel

higher as the market specu- stake in the company and

US. The perceived bidders are said to be the new Aon or Marsh & McLennan. Sedgwick gained 51/2 to 132p, analysts suggesting that based on the price Aon paid for rival Alexander & Alexander, the price for Sedgwick would he about 160p per share. Willis rose 4 to 1351/2p.

The bulls of British Aerospace finally gained the upper hand as analysts tried to establish the implications of the proposed merger nell Douglas which will create the world's leading aero-

space and defence company. Shares in BAe hardened at the start of the session but then fell back sharply as the bears pointed to stiffer competition for the European Airhus consortium. BAe not only huilds the wings on the Airhus aircraft hut also bolds a 20 per cent stake in

However, the optimists finally won the day and the shares eventually closed 11 ahead at 11364p with some 2.5m having been dealt. Analysts suggested the deal was favourable for BAe because, "not only does this (deal) remove McDonnell Douglas as a competitor for Airbus. but it could also force Airbus to become an independent company that operates without government interven-

Bass, quoted ex-dividend, Lloyd Thompson added 11/4 hardened 31/4 to 799p after it at 174p while JIB, floated at announced the sale of 47 management contracts to Sedgwick and Willis Cor- Bristol Hotel Company in roon were hoth moved return for a 36.1 per cent

action is valued at around \$660m. Several analysts described the deal as a good one although it is marginally dilutive. They said the next issue was what Bass did with the cash, with some suggesting a special divi-

dend as one alternative. Gibbs Mew, the regional brewing and pubs company, weakened 89 to 210p after poor interim results and a warning that full year results would he disappoint-

A number of food retailers, generally perceived as defensive stocks, strengthened including Tesco, which gained 31/2 to 3481/20 and Safeway which rose 7 to 389n. J Sainsbury climbed 9 to 363p, with some speculation that sales were improving on the back of its Reward loyalty card. In the autumn, the

repayments. The total trans- points on a number of items. Asda continued to rise. strengthening 2% to 124p ahead of interim figures expected to be at the top end

of forecasts - on Thursday. Rank Group strengthened 6 to 4331/sp ahead of Thursday's trading update while Capital Corporation weakened 13 to 157p after a bro-ker's downgrade last week. One analyst said the stock was trying to find a level.

BSkyB, the satellite television broadcaster, was one of the Footsie top guns on the back of a positive press report and an OFT state-

The article in the financial press said BSkyB would the first genuine opportunity days to push ahead with the digital satellite television revolution by spending some \$200m on decoder boxes.

Then, later in the after-

Dec 16 Dec 13 Dec 12 Dec 11 Dec 10 Yr ago "High "Low 2752.0 2738.3 2758.7 2751.7 2782.9 2605.1 2888.2 2608.8 4.15 4.17 4.14 4.14 4.09 4.07 4.22 3.78 16.64 16.55 16.66 16.67 16.88 15.57 17.44 15.80 16.48 16.39 16.50 16.52 16.71 15.37 17.30 15.71 Ord. div. yield P/E ratio net P/E ratio nil FT 30 since compi FT 30 hourly chances

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Dec 16 Dec 13 Dec 12 Dec 11 Dec 10 Yr ago "High "Low 1015.60 1013.50 1017.90 1018.80 1022.10 - 1140.40 965.70

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lated about an offer from the \$391m of debt and cash card started offering extra noon, the Office of Fair Trad- can to begin in the second ing approved a revised rate card for the supply of BSkyB channels to broadband cable operators.

Analysts said there had been a feeling that the broadcaster had veered from its targets and yesterday's news showed it was back on track. The shares, which had fallen 31 per cent since hitting their peak in mid-October, bounced 13 to 489%p.

Pearson improved 7 to 701p ahead of an eagerly awaited statement from the company tomorrow. Most of Pearson's profits are weighted towards the second half and, consequently, the statement will give analysts decide within the next few to gain an insight to this year's trading. However, Pearson - which owns the Financial Times - is said to be concerned about too much hope creeping into the

share price. Caradon, the hullding materials group, strengthened 5 to 241%p with Merrill Lynch apgrading its estimates for the current year by £3m to £176m and by £2m to £191m in 1997. Merrill Lynch said that this was a reflection of an underlying improvement in the UK boiler market and the US doors and windows business.

Hepworth weakened 81/2 to 250p with a couple of anatysts' downgrading, including Merrill Lynch, which trimmed its estimates from £7im to £69m this year and from £81m to £73m next

Scotia Holdings jumped 30 to 642%p after the pharmaceuticals company said its Foscan compound to treat head and neck cancer received 'Investigational New Drug' status from the US Food and Drug Administhe approval paved the way

quarter of 1997.

Shire Pharmacenticals lifted 8% to 202%p on the back of positive clinical studies for two of its products and licensing deals for its BetaRange of hormone replacement therapy prod-

Commercial Union, which spiked higher late on Friday afternoon on a spattering of end-of-week takeover talk, rose a further 15 to 680p yesterday on healthy turnover of 6m shares.

by the close.

Dealers reported a shortage of stock in British Airways which helped send the shares sharply ahead. They closed 10 up at 586%p, with a mere 1.1m having been dealt

III FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point -0.5 +0.5 IF FTSE 100 MEDEX OPTION (LIFFE) ("3089 ) £10 per full index point W EURO STYLE FISE 100 INDEX OPTION (LIFFE) \$10 per full fridax point

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FTSE SmallCap ex IT	2155.33	+0.2	2129.51	2187.70	2136.35	1920.81	3.45	1.64	22.12	73.16	1794.12
FTSE All-Share	1955.20	+0.5	1948.17	1855.25	1951.14	1753.33	3.66	1.90	17.04	80.69	1604.64
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10 MINERAL EXTRACTION(28)	3809.70				3797.39			1.71	19.54	142,81	1669.88
12 Extractive Industries(S)	4043,08				4019.48			2.66	11.71	162,00	1205.04
15 Oil, integrated(3)	3937.87				3984.65			1.55	20.56	154,36	1773.57
15 Oil Exploration & Prod(14)	2916.80	+0.9	2891.03	2830.12	2021,43	2081.45	1.61	1,73	39.98	53.64	1768,39
20 GEN INDUSTRIALS(275)	1951.50	+0.3	1945.64	1958.27	1965.92	1905.87	4.4D	1.64	17 27	84.28	1091,50
21 Building & Construction(34)	1164.86				1169.51			1.56			983.56
22 Building Metts & Merche(29)	1756.29				1761.38			1.40			907.86
23 Chemicals(25)	2315.52				2349.28			1.43			1124.34
24 Diversified industrials(18)	1434.18				1421.19			1.54			829.61
25 Bectronic & Bect Equip(36)	2215.10				2214.19			1.34			1175.65
25 Engineering(T1)	2540.19	+0.1	2536,42	2555,37	2543.39	2109.57	3.24				1571.38
27 Engineering, Vehicles(14)	3062.53	-0.2	3067.71	3100.B3	3082,46	2446.51	3.53	1.71			1616.47
28 Paper, Pokg & Printing(28)	2445,34	-0.2	2448.94	2457.57	2448.35	2466.30	4.24	1.80			1041.50
29 Textiles & Apperei(19)	1025.25	-0.6	1033.80	1048.95	1056,39	1421.54	6.96	1.15			648.58
30 CONSUMER GOODSIES	3702.39				3700.88			1.95		_	1399.84
32 Alcoholic Severaces(5)	2517.88	+12			2595.00			1.85			969.84
33 Food Producers(25)	2610.02				2584.57			1.77			1206.86
34 Household Goods(15)	2507.92				2500.67			2.23			1012.04
35 Health Care(18)	1998.61				1986.15			1,93			1234.15
37 Pharmaceuticals(14)	5686.92				5700.27			2.01			1965.08
38 Tobacco(2)	4002.19				4075.58			2.19			1030.63
40 SERVICES(2022)	2570.36			_	2569.04						
41 Distributors(90)	2870.20				2865.84			2.01			1362.07
42 Leisure & Hotels(25)	3231.38				3232.74			1.90	20.00	91.07	1078.96
43 Media(44)	4108.94				4107.91			2.12			1504.95
44 Retailers, Food(14)	2097.45				2055.73			2.28			1365.71
45 Retaliers, General(45)	2052.86				2061.10			2.04			1199.10
47 Breweries, Pube & Rest (21)	3219.55				3249.30		3.38	2.00			1578.86
48 Support Services(50)	2713,80	+0,4	2704,17	2722.08	2732.89	1966.81	1.84	2.28			1744.37
49 Transport(23)	2518.92	+0.8	2596,80	2604.74	2605.37	2115.89	9.68	1.23			1117.63
60 UTILITIES 233	2484,81	+0.4	2474 28	2466 NR	2439.85	2374 00	5.43	1.69	_		1115.99
62 Electricity(12)	2876.54				2635.46			2.15			1465.60
64 Gas Oistribution(2)	1538.15				1470.95			0.54			841.63
66 Telecommunications(8)	2072.27				2034.33		4.01				966,19
68 Water(11)	2234.11				2228.70		6.66	2.30			
OR MANY TRANSPORT STREET			_				_	4.00	W 10	133,00	1288.27
63 NON-FENANCIALS(885)	2036.28	40.4	5052716	2455.27	2030 <u>.8</u> 1	1860.20	3.90	1.B1	17.72	36.72	1585.18
70 FRANCIALS(104)	3356.26	+0.8	3340.71	3368.56	3361.26	2833.06	3.96	2.36	13.38	131.39	1485.61
71 Banks, Retail(8)	4540,11	+0.9	4798.90	4850.02	4834.84	4010.59	3.77	2.70			1620.14
72 Banks, Merchant(0)	3858.43	-0.1	3869.68	3877,69	3872.31	3596.27	2.89	3.01			1247.45
73 Insurance(21)	1575.47	+1.6	1550,55	1551.00	1559.25	1402.33	5.33	2.29			1220.53
74 Life Assurance(7)	3917.34	40.8	3903.96	3945.20	3925.16	3372.78		1.78			1685.51
77 Other Financial(XV)	2760.35				2774.18			1.77			1610.33
79 Property(42)	1683.32				1691.19			1.30			1070.03
90 RIVESTMENT TRUSTS(128)	3102.93				3126.26	_	2.30	1.12	_		1098.04
88 FTSE AE-Share(895)	1955,20				1951.14			1.90			1694.64
TSE Fledging	1204.19						_			_	
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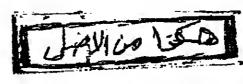
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		Highs & Lows shown on a 52 week basis  WORLD STOCK MARKETS
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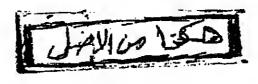
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# Dow up on **Boeing-led** merger buzz

Merger activity helped lift blue chip shares in the Dow Jones Industrial Average at midsession, writes Lisa Bransten in New York.

Just afterwards Mr Barton Biggs, the global strategist at Morgan Stanley, adopted a bearish tack, elashing the global portfolio from 74 per increasing cash from zero to at \$57.

Investors had reacted positively to the weekend price of Philip Morris. The announcement that Boeing had agreed to acquire McDonnell Douglas in a deal tbat would create the world's largest aerospace and defence company. Boeing added \$5% or 6 per cent to \$102, boosting the value of the all-stock transaction to about \$14.1bn. McDonnell Douglas shares tumped \$10%

or 21 per cent to \$62%. By 1 pm, Boeing's rise accounted for nearly all of the 18.83 gain that put the \$61% and Pioneer jumped \$6 Dow at 6,323.70, according to Birinvi Associates, the equity research firm. Meanwhile the Standard & Poor's 500 was off 0.05 at 728.59. Volume on the NYSE came to 236m shares.

Bonds exerted some downward pressure on shares as stronger than expected manufacturing activity sent Treasuries lower and sent the yield on the benchmark 30-year bond up past 6.6 per

Technology shares were modestly weaker yesterday with the Nasdaq composite, which is weighted toward C\$44.35.

that sector, falling 3.00 at Exchange technology index was 0.6 per cent lower.

Intel, the semiconductor maker, fell \$1% to \$131%; America Online, the online service provider, lost \$1% or 5 per cent at \$32%. Among computer makers, Gateway 2000 shed \$2% or 4 per cent equity weighting in his at \$56%, Compaq Computer closed \$1% lower at \$78% cent to 56 per cent and and Dell Computer shed \$1/4

> The Dow's move was restrained by a drop in the cigarette company, which jumped \$151/2 to \$118% from the start of this month to the middle of last week, posted a third consecutive drop yesterday, losing \$1% at \$109%

> The market reacted positively to news that Conseco, the US insurer, had agreed to buy Pioneer Financial Services for about \$25 to \$28 per share. Shares in Conseco added \$1% or 3 per cent at

> or 32 per cent to \$25. TORONTO rallied in early trading, moving ahead in line with the steadier performance of Wall Street and showing signs of wanting to end a three day losing

streak. At noon, the 300 composite index was 7.88 higher at 5,714.76, although dealers pointed out that falls had a slight lead over rises. Energy stocks had the best of the morning session with the sector up more than 1 per cent and Renaissance Energy gaining 90 cents to

### Caracas resumes advance

CARACAS overcame early bolivar to 524 bolivars. weakness to resume the upward path taken at the end of last week. The IBC ers digested the latest politiindex at midsession was 38.57 higher at 6,248.41 although volumes were very low with many investors already said to have wound down their activity ahead of

idad de Caracas gave up 1 minimum.

MEXICO CITY had a morning downturn as tradcal changes. At midsession, the IPC index was 14.76 lower at 3,190.46.

the leader of the ruling Institutional Revolutionary Party had resigned kept investors The benchmark Electric- sidelined and volumes at a

	* 0	tornge in loc	% change starting †	% change in US 5 1		
	1 Week	4 Weeks	1 Year	Stort of 1986	Start of 1986	Start of 1986
Austria	+1.24	+3.14	+15.26	+14.78	-0.65	+6.21
Belgium	-1.41	-0.34	+15.52	+14.52	-0.92	+5,82
Denmark	+0.18	+0.75	+23.39	+23.55	+6.38	+15.75
Finland	-3.23	+0.24	+21,10	+33.74	+17.60	+25.59
France	-1.07	-0.85	+23.85	+21.48	+6.53	+13.77
Germany	+0.21	-0.10	+20.83	+21.28	+5.09	+12.24
Ireland	-0.85	-2.34	+18.92	+17.22	+13.70	+21.44
Italy	-1.88	-2.72	+7.85	+3.33		
Netherlands	-1.14	-0.12	+26.00	+24.54	+7.73	+15.08
Norway	-0.02	+2.83	+24.18	+23.83	+13.11	+20.80
Spain	-1.09	+4.28	+32.85	+29.18	+12.75	+20.42
Sweden	-1.28	+1.51	+34.64	+33.07	+21.27	+29.51
Switzerland	+0.08	-1.72	+16.22	+15.03		+0.59
UK	+0.25	+0.24	+8.58	+7.58	+7.58	+14.69
EUROPE	-0.35	-0.08	+16.71	+15.56	+6.03	+13.24
Australia	-0.02	-2.60	+3.24	+4.11	+4.02	+11.09
Hong Kong	-2.26	+0.75	+28.25	+25.59	+17.45	+25.47
Japan	-1.03	-3.77	-1.59	-4.69	-19.13	-13.64
Malaysia	-0.14	-0.19	+20.03	+19.22	+12.32	+16.96
New Zealand	-0.42	-0.32	+6.54	+8.71	+7.26	+14.55
Singapore	-0.75	-0.84	+3.10	-0.64	-5.96	+0.44
C	1 60	OFF	199 71	.00 E0	145.00	. 02 20

-1.08

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310.29 .79,11

313.78 279.39

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..264.87 ..296.59

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-1.0

-0.3 -1.0

-0.1

Canada (116) . Denmark (30) .

Hong Kong (59

Mexico (27). Netherland (10).... New Zealand (15).

South Africa (44 Spain (37) .....

USA (623) ..

-1.42

FT/S&P ACTUARIES WORLD INDICES

+12.73

+14.61

+11.93

| Index | Inde

1**70.80** 77.19

-0.2 242.91 194.98 217.90 227.97 -0.7 203.39 163.67 182.89 196.33 -1.2 309.88 249.97 278.86 304.84

309,88 249.37 135.42 108.97

163.65 131.69

259.11 208.51 181.18 145,90 271.81 218.73

236.83 190.58 212.97 238.83 265.20 213.41 238.48 296.59

+4.26

+1.82

+11.35

-20.58

MARKETS IN PERSPECTIVE

# Spain, Italy prosper after EU budget pact

Friday's signing of a tough European Union budget pact pushed bond markets higher on the periphery. Spain and Italy did particularly well and their equity markets fol-

MADRID came achingly 1,281.91. The Pacific Stock close to an all time high, the general index closing 7.84 or 1.9 per cent better at 410.91 against the December 3 peak of 411.42. The Spanish 10-year bond

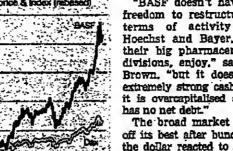
spread over bunds hit a new record low, its 10-year bond future rose from 111.22 to 112.23, and interest rate-sensitive equities reaped the rewards with the banking sector up 1.7 per cent, and sisctrical utilities 2.8 per cent higher on the day.

Dealers said that unusually high market turnover of Pta78bn indicated that the rally was well supported. In banks, Argentaria climbed by Pta170 or 3.2 per cent to Pta5,540, while Iberdrola led utilities with a gain of Pta70 or 4.5 per cent at Ptal.625. MILAN raced 2 per cent

Wall Street opening. The Comit index rose 12.56 to 643.83, while the real-time Mibtel index was 192 higher at 10,316, although volumes remained unimpressive.

higher on better bonds, a

stronger lira and the positive



end events had lent support, as had comments from the Bank of Italy governor who said that inflation seemed to be under control. This had prompted expectations that a discount rate cut could be on the way after impending

inflation data. Among individual stocks, scom Italia jumped L180 to L3,622 on expectations that the shareholders could do well ont of a planned telecoms holding company. Stet mes 1.297 to 1.6.413. FRANKFURT'S BASE put

on 92 pfg at DM59.35. Mr Sachs commented that the German government was expected to enact legislation Analysts noted that week- next year that would allow company, Skanska, SKr13 last week on talk of an immi-

share buybacks, and that

"BASF doesn't have the terms of activity that their big pharmacenticals

off its best after bunds and the dollar reacted to strong US industrial production figures for November. The Dax index closed 25.39 higher at an Ibis-indicated 2,841.16, turnover falling from DM9.4bn to DM8.1bn. In London, Astra's chief executive, Mr Hakan

Mogren, told investors and analysts at a company presentation that the company was evaluating the possibility of a share buyback, thet the Swedish government seemed set to approve share buybacks, probably from July 1997 onwards.

STOCKROLM, however.

The bigger winner of the

freedom to restructure in Hoechst and Bayer, with divisions, enjoy," said Mr Brown, "but it does have extremely strong cash flow, it is overcapitalised and it

The broad market anded

by 1998. UBS said last Priday

seemed less than impres Astra A rose just SKrl to SKr329 as the Affarsvärlden General index closed 24.8 higher at 2,315.4.

day was the construction

BASE was a prime candidate FTSE Actuaries Share Indices Housy changes

> said that it and Ikano, owned by the family which founded the furniture retailer, Ikea, would create a company which would speci-PARIS was encouraged by loan rate reductions at a

> > 19.16 at 2,222.57. Dollar stocks had a solid session with LVMH up FFr10 at FFr1.268 and L'Oreal FFr25 ahead at FFr1,840. Michelin, which tumbled almost 4.5 per cent last week, rallied strongly, gainmg FFr6.40 to FFr265.50.

> > There was good activity among second line stocks. Pathe, which has a 17 per cent stake in BSkyB, jumped sharply on bullish weekend press coverage for the media giant. Pathe advanced FF155 to FFr1,197.

> > Promodes recovered FFr20 to FFr1,385. Shares in the leading retailer lost ground

SEOUL remained at a

three year low, under pres-

sure from heavy selling by

domestic institutions, which

left the composite index

ket sentiment received a fur-

ther jolt when a leading

Analysts noted that mar-

down 18.42 to 673.92.

HK\$10.1bn.

chips down.

Open 10.30 11.00 12.00 13.00 14.00 16.00 Close FTSE Bendrack 100 1653.10 1853.33 1854.03 1853.96 1853.14 1854.53 1854.50 1854.49 Dec 18 Dec 12 Dec 11 - Dec 10 Dec 9

higher at SKr292.50. Skansks nent bid for the Casino supermarkets chain. AMSTERDAM turned in the day's strongest perior-

mance in northern Europe, the AEX index advancing alise in factory outlet stores. 9.47 or 1.8 per cent to 616.12 in solid two-way trading. Underpinned by a firm bond market, Fortis Amev, number of big banks, the CAC 40 index closing up

> rising F1 2.80 or more than 4 per cent to F158. Ahold, the retailer, put on F1 3.50 to F1 104.30. Royal Dntch improved F1.140 to F1288.5 as the mar-ket warmed to a story of improved chemical returns

from the oil giant following sentations in New York and London. Unilever, up F1 7.00 to F1 288, was said to have met

best bounce of the session,

with demand from the UK fund managers. ZURICH ended firmer, but off its best levels, after a day

dominated by special situations, while today's FOMC

tors' enthusiasm. The SMI index rose 29.9 to 3,869.2

Swissair put on SF188 at SFr1,055 on recurrent rumours that the airline, which plans a press conference on Thursday, was planning to separate some of its profitable catering business from its hard pressed sirline

Six Red Cre

aid workers

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The last the last

CHAMBIY OF

A SFT45 rise to SFT2.575 in Baloise was attributed to speculation that a press conference on Thursday might bring news of a takeover or

SMH lost SFr10 to SF1810. under pressure from options that copire tomorrow.

Elektrowatt gave up SFr5 of its recent gains at SEr522, the big insurer, produced the although there was still speculation that CS Holding might sell its stake by the end of the year.

Holderbank rose SFr21 to SFr929 on recent recommendations from brokers noting that the company would be an early beneficiary from a pick-up in European economic growth.

BUDAPEST took advantage of strong performances in two chemical stocks, TVK and Borsodchem, to push the Bux index up 17.74 to the third enccessive high of 3.835.95.

Written and edited by Willer

# China tumbles as Beijing raps speculators

China's A and B share indices tumbled in hectic selling prompted by sbarp criticism of the markets by the central government in Beijing, SHENZHEN's hard currency B index plunged by the new 10 per cent maximum, while SHANGHAI Bs lost 9.6 per cent.

Beijing's move came after dramatic surges on both markets. The People's Daily, mouthpiece of the Communist Party, warned that the two markets were overheating due to speculative trading and warned of a crash similar to the Wall Street

Last Friday, the Shenzhen News late on Friday that and Shanghai bourses announced that they were imposing a 10 per cent celling on daily movements for individual stocks, with effect from yesterday.

On Sunday, the China Securities Regulatory Commission, the country's top securities watchdog, also announced a quota of Yb10hn worth of share issues for 1997, doubling the quota of Yb5.5bn this year, in an effort to cap the frenetic pace of the markets.

Shanghai's B index ended down 6.862 at 59.929 while the A shares lost 115.370 or 9.9 per cent to 1,047.68. Shenzhen's B index plunged 14.93 to 134.43 and the A index lost 46.34 to 417.2.

TOKYO finished moderately higher on dull but stable trading as domestic institutions went bargain hunting and non-life insurance companies lost ground following the weekend agreement between Japan and the US on deregulation of the insurance merket. writes Gwen Robinson.

The Nikkei 225 average added 80.65 to 10,422.04 after trading between 20,291.08

213.00 190.46 152.62 170.97

 350.71
 313.58
 251.29
 281.50
 306.37
 355.51
 281.19
 274.82

 153.77
 196.96
 109.76
 122.94
 110.87
 177.01
 181.45
 182.51

 184.73
 185.13
 132.35
 148.27
 143.60
 191.51
 175.04
 178.28

 200.22
 229.89
 207.95
 232.64
 269.33
 301.15
 237.55
 248.93

 204.43
 182.84
 148.62
 184.13
 172.98
 209.70
 174.81
 175.58

 308.16
 275.57
 220.83
 247.37
 265.07
 317.82
 257.81
 261.40

 180.58
 160.61
 133.67
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 148.73
 183.47
 176.03
 177.33

 217.01
 194.04
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 174.16
 180.80
 224.89
 196.13
 198.32

 266.41
 238.21
 190.89
 213.83
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 224.52
 226.01

Gross Div. Yield

-0.1 -0.7 -1.1

-0.3 -0.7 -0.1 -0.8 -1.4 -0.7 -0.5 -0.4

2.01 2.95 2.05 1.28 2.15 2.02 2.32 2.84 2.14 1.87 2.39

196.11 407.45 193.65 106.45

171.57 262.40 147.84 185.72

190.96 193.65 86.26 106.45 212.97 238.83

121.77 109.97 147.19 142.54 233.00 288.99

148.64 173,48 213.24 250.30 4.31 1.92 3.84 1.79 2.00 1.71 2.20 2.92 1.61 3.48 2.50 1.10 2.97 2.06 0.63 2.90 2.48 3.06 2.48 3.06 2.48 3.22 4.01 2.02

and 20,472.05. Volume dwin- sharp setbacks on concerns dled to 266m shares from Fri- about banks' bad debts. day's inflated turnover of 833.12m on December futures and options settlement. Advances led declines 657 to 428, with 173 unchanged.

Investors continued to rose 112.27 to 20.674.26 in volseek internationally competitive blue chip issues, and showed new interest in some stocks that were enjoying strong domestic demand such as gas and power utili-The Topix index of all

first-section stocks rose 10.03 to 1,511.98 and the capitalweighted Nikkei 300 was up 2.01 at 286.64. In London, the ISE/Nik-

kei-50 index fell 0.73 to Continued interest in NTT, particularly among foreign

investors, also supported other telecommunications issues. NTT added Y10,000 to Y916,000 and KDD rose Y210 to Y7.960. Blue chip electri-Johannesburg was closed for cals and carmakers most active issue, rose Y20 to Y1,070. Mitsubishi Electric added Y11 to Y683 and Tosh iba Y10 to Y747. Honda climbed Y70 to Y3,210.

Non-life insurers, however, fell by nearly 2.4 per cent on heavy selling pressure following agreement between the US and Japan to open the Japanese market to greater foreign competition. Tokio Marine and Fire Insurance fell Y20 to Y1,120 and Sumitomo Marine and Fire

Insurance shed Y22 to Y718. Oriental Land, the operator of Tokyo Disneyland, continued to suffer profittaking following its strong debut on the exchange last Wednesday, when it closed at Y8.800. On Monday, the stock fell a further Y170 to Y8,130.

Domestic ntilities, meanwhile, enjoyed active buying interest. Tokyo Electric Power rose Y50 to Y2.530 and Tokyo Gas climbed Y4 to Y311. Banking icenes

Sumitomo Bank added Y40 to Y1,790, Daiwa Bank Y37 to Y512 and Industrial Bank of Japan Y40 to Y2,090.

In Osaka, the OSE average

ume of 56.2m shares. HONG KONG's blue chips ended with solid gains on renewed momentum after some heavy losses last week, but H-shares of Chinese

enterprises, listed in the colony, were depressed as the shares, sending most blue Chinese stock markets nose-The Hang Seng index ended 153.41 higher at 12,937.48 after dropping

Won46,100, while LG Information lost Won5,200 or 7.9. 318.66 points last week, per cent to Wom60,300. Analysts noted that govwhils the H share index

dropped 5.1 per cent. Turn- ernmant

over pulled back to announced at the end of the HK\$6.5bn from Friday's day, designed to provide rus to the market, had

failed to match expectations. BOMBAY rallied 2.7 per cent in hectic trads after the finance minister said that a controversial tax on companies may soon be phased

The BSE-30 index jumped 77.50 to 2958.65 after the mininvestment trust company, ister said that the new tax heavily sold Samsung Elec- might be phased out after a tronics and LG Information new Income Tax Act and Companies Act came into

Samsung Electronice fell The Unit Trust of India ths country's biggest Won3,900 or 7.8 per cent to mutual, fund was a major buyer in index-linked stocks, helping them to stage a

BANGKOK edged higher market hours.

today's policy statement from the finance ministry. The SET index closed up 0.09 at 872.76.

Few surprises were expected today from Amnuay Viravan, the finance minister, but with the market hovering just above a 42 month low investors were not taking chances, said brokers.

SYDNEY closed higher in thin trading as investors wound down positions ahead of Christmas. The All Ordinaries index added 19.8 to

News Corp edged up a cent to A\$6,44. News that the Brierley group had acquired 25 per cent of the John Fairfax media group came after

